



## **SCIENTEX PACKAGING (AYER KEROH) BERHAD**

(Formerly known as DAIBOCHI BERHAD)

Company No.: 197201001354 (12994-W)

(Incorporated in Malaysia under the Companies Act)

# **BOARD CHARTER**

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## **1. INTRODUCTION**

- 1.1 The Board of Directors (the Board) of Scientex Packaging (Ayer Keroh) Berhad (formerly known as Daibochi Berhad) (“SPAK”/the “Company”) fully appreciates the importance of adopting high standards of corporate governance within the group of companies (“the Group”) to enhance business efficacy and corporate accountability with the objective of realizing long-term shareholders’ and stakeholders’ value.
- 1.2 Towards achieving this, the Board is committed to ensure that the principles, practices and guidance expounded in the Malaysian Code on Corporate Governance 2017 (the Code) and Bursa Malaysia’s Main Market Listing Requirements (“Listing Requirements”) are observed and practised throughout the Group.
- 1.3 The Board Charter sets out the Board’s strategic intent and outlines the Board’s roles and responsibilities in accordance with the authority conferred by the Company’s Constitution along with the provisions of the Companies Act 2016, Listing Requirements, principles set out in the Code and other applicable laws or regulatory requirements.
- 1.4 The Board Charter serves as a source of reference and primary induction literature to facilitate the effective discharge of the Board’s duties. This is to ensure that SPAK’s strategic intent and mission of being the “**Preferred Supplier Of Our Customers**” and vision to achieve superiority in services and supplies of flexible packaging materials are achieved through:
- (a) Continuous Improvement in Effectiveness of Quality Management System to ensure Product Quality and Safety as well as Services that satisfy customers’ requirements.
  - (b) Total Commitment to maintain the highest Quality and Safe Products and Services by everyone in SPAK regardless of rank. We will adhere to established guidelines as stipulated by applicable regulations, statutory requirements and customers’ specified requirements.
  - (c) Continuous Development and Training of all staff to develop proper attitude, aptitude and work culture to improve knowledge of Product Quality and Safety.

## **2. AUTHORITY**

- 2.1 The Board derives its authority from the Company’s Constitution and the laws and regulations applicable in Malaysia.
- 2.2 The Board will comply with/observe the Listing Requirements, principles and practices of the Code, other applicable laws, codes and regulatory guidelines that are in force in Malaysia. The Board will also be guided by SPAK’s policy on Matters reserved for the Board and those reserved for the Management as well as Bursa Malaysia’s Corporate Governance Guide.

### **3. ROLES AND RESPONSIBILITIES**

#### **3.1 The Board's role**

The Board is collectively responsible to provide effective leadership to enhance business efficacy and corporate accountability with the objective of realizing long-term value for shareholders and stakeholders.

The Board shall assume the following responsibilities as set out in the Code:

- (a) Together with senior Management, promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
- (b) Review, challenge and decide on Management's proposals for the Group, and monitor its implementation by Management;
- (c) Ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- (d) Supervise and assess Management's performance to determine whether the business is being properly managed;
- (e) Ensure there is a sound framework for internal controls and risk management;
- (f) Understand the principal risks of the Group's business and recognize that business decisions involve the taking of appropriate risks;
- (g) Set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyze, evaluate, manage and monitor significant financial and non-financial risks;
- (h) 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;
- (i) Ensure that the Group has in place procedures to enable effective communication with stakeholders; and
- (j) Ensure the integrity of the Group's financial and non-financial reporting.

#### **3.2 Matters reserved for the Board**

Formal matters reserved for the Board include:

**(i) *Strategy and management***

The Board is responsible for the overall strategic direction of the Group, long-term objectives and goals, budget, overseeing the business and potential expansion into new business ventures.

**(ii) Structure and capital**

Changes relating to the Group's capital structure, issuance of shares and share buybacks, corporate structure and listing status are subject to the Board's approval.

**(iii) Finance**

Includes approval of the Group's financial statements, quarterly reports, dividend policy, significant changes in accounting policies/practices as well as acquisition and disposal of assets exceeding RM1 million in value.

**(iv) Internal controls**

To ensure that there is a sound system of internal control and risk management in place.

**(v) Board membership and other appointments**

Changes to the size and composition of the Board, succession planning for the Board and key Management, appointment and removal of the Company Secretary, appointment, reappointment and removal of the External Auditors, appointment and removal of the Internal Auditors and remuneration policy/incentives for Directors are within the Board's purview.

### **3.3 Chairman and Managing Director**

The position of Chairman and the Managing Director shall be held by two individuals and the Chairman must be a non-executive member of the Board. There shall be a clear division of responsibilities between the Chairman and the Managing Director to promote accountability.

#### **3.3.1 Role of the Chairman**

The Chairman's role and responsibilities include:

- (i) Leading the Board in the oversight of Management and ensuring the orderly conduct and workings of the Board;
- (ii) Providing leadership for the Board so that the Board can perform its responsibilities effectively;
- (iii) Setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- (iv) Leading Board meetings and discussions;
- (v) Encouraging active participation and allowing dissenting views to be freely expressed;
- (vi) Managing the interface between Board and Management;
- (vii) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and

- (viii) Leading the Board in establishing and monitoring good corporate governance practices in the Group.

### **3.3.2 Role of the Managing Director**

The Managing Director's responsibilities include:

- (i) Focusing on the business and day-to-day management of the Company;
- (ii) Executing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies;
- (iii) Bringing material and other relevant matters to the attention of the Board in an accurate and timely manner;
- (iv) Developing and recommending to the Board annual business plans and budgets that support the long-term strategy and vision for the Group;
- (v) Providing strong leadership to the Management team and employees; and
- (vi) Ensuring that there is an effective Management team and a succession plan in relation thereto.
- (vii) Responsible for communicating with the investment community, regulators and the media.

### **3.4 Individual Directors**

Director's duties include:

- (i) Acting in good faith and in the best interests of the Group;
- (ii) Undertaking his/her fiduciary duties and leadership functions with reasonable care, skill and diligence;
- (iii) Participating actively by providing constructive views and sharing experiences at Board meetings in contribution to the development of strategy;
- (iv) Devoting adequate time and attention to discharge his/her duties and responsibilities effectively;
- (v) Demonstrating independent viewpoints and objective judgement during Board deliberations and decision making; and
- (vi) Ability to work professionally with other Directors and Management.

### **3.5 Executive Director/s**

Executive Directors' duties and responsibilities include:

- (i) Accountable to the Board for the day-to-day management and operations of the Group's business.

- (ii) Implementing decisions, policies and strategies adopted by the Board.
- (iii) Providing strong leadership, effectively communicating SPAK's vision, mission and business strategy to the employees; and
- (iv) Keeping the Board fully informed of all important aspects of the Group's operations and ensuring sufficient information is distributed to Board members on a timely basis.

### **3.6 Independent Non-Executive Directors**

An Independent Non-Executive Director is a director, who meets the criteria of independence stated in the Listing Requirements, is independent of Management and is 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. His/her duties and responsibilities include the following:

- (i) Exercise sound independent business judgement and demonstrate objectivity in the discharge of fiduciary duties;
- (ii) Engage/challenge Management in a constructive manner to ensure that there is effective check and balance during Board deliberations and decision making;
- (iii) Bring objectivity, knowledge, skills and experience to the Board's deliberations during the decision making process to ensure sufficient check and balance; and
- (iv) Ensure that the interests of the minority shareholders and other stakeholders are given due consideration in the deliberations of the various issues and matters affecting the Group.

### **3.7 Senior Independent Director**

The role of the Senior Independent Director appointed by the Board includes acting as:

- (i) the intermediary for other Directors when necessary; and
- (ii) the point of contact for shareholders and other stakeholders.

### **3.8 Management**

- (i) All matters not specifically reserved for the Board and which are necessary for the day to day management of the Group are delegated to the Managing Director and the Management team (including the Executive Director/s);
- (ii) Managing the Group's business in accordance with the strategies set by the Board from time to time;
- (iii) Keeping the Board informed of material developments of the Group's business and the implementation of those strategies;
- (iv) Developing and formulating business plans, budgets, strategies, business and financial objectives of the Group and ensuring that they are implemented;

- (v) Implementing the overall risk management policies, ensuring the compliance, managing those risks which could have a material impact on the business and informing the Board of any material instances of non-compliance;
- (vi) Ensuring that the Board is provided with sufficient and timely information with regard to the Group's financial performance and key business indicators;
- (vii) Approval on acquisition and disposal of assets of up to RM1 Million in value;
- (viii) Formulate and implement policies, procedures, manuals and guidelines to be adhered to by the employees;
- (ix) Determining the remuneration and implementing policies for the management and development of employees; and
- (x) Such other duties and powers as may be delegated by the Board from time to time.

#### **4. BOARD CONDUCT – ETHICAL STANDARDS**

##### **4.1 Directors' Code of Ethics and Company's Code of Conduct**

All Directors are expected to comply with both the Codes to maintain the highest standards of integrity and ethical behaviour in discharging their duties as a Director of the Company.

##### **4.2 Related Party transaction**

A Director who has an interest in a transaction must abstain from deliberating and voting on the relevant resolution, in respect of such transaction at the Board and General Meeting convened to consider the said matter.

##### **4.3 Confidentiality**

Each Director has a duty to maintain the confidentiality of information that he or she obtains by virtue of the position as a Director and is bound by the Company's Corporate Disclosure Policy.

##### **4.4 Whistle-blowing Policy**

This policy provides an avenue for employees and stakeholders to report genuine concerns about unethical behavior and improper conduct within the Company without fear of reprisal should they act in good faith when reporting such concerns.

##### **4.5 Insider Trading**

Directors who have access to material/inside information which has not been disclosed to Bursa Malaysia and the investing public are prohibited from dealing in the Company's securities while in possession of this information. The Company Secretary will advise the Directors on trading restrictions i.e. dealings during open/closed periods in accordance with the Listing Requirements.

## **5. BOARD STRUCTURE AND ADMINISTRATION**

### **5.1 Board Composition**

- (a) The Board must comprise of Directors who have the character, experience, integrity and competence to effectively discharge his/her role as a director.
- (b) The Board shall comprise of Directors who should ensure that they devote sufficient time to carry out their responsibilities.
- (c) Directors are expected to notify the Chairman and Company Secretary before accepting any new directorship and an indication of time that they will spend on their new appointment. They must not hold directorships in more than five (5) public listed companies.
- (d) The size of the Board is governed by the Company's Constitution. At least half of the Board shall comprise of Independent Directors.
- (e) The Board recognizes that gender diversity is of importance in bringing added value to the Boardroom. In this regard, the Board will continue to encourage and support greater participation by women on the Board. The Board shall be guided by the Boardroom Diversity Policy.
- (f) The Nomination Committee is entrusted with the responsibility for recommending potential new Directors taking into account the current and future needs of the Company. In this regard, the Nomination Committee shall seek for members from diverse professional and entrepreneurial backgrounds to steer and add value to the Company. The Nomination Committee and the Board shall also ensure that time commitment is obtained from new Directors at the time of appointment.

### **5.2 Term for Directorship**

- (a) Pursuant to the Company's Constitution, all newly appointed Directors are subject to re-election by the shareholders at the first Annual General Meeting upon their appointment.
- (b) In accordance with the Company's Constitution, 1/3<sup>rd</sup> of the existing Directors, including the Managing Director, are required to retire by rotation at the Annual General Meeting.
- (c) The tenure of an Independent Director does not exceed a cumulative term limit of 9 years. Upon completion of an Independent Director's 9 years' tenure, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond 9 years, it will justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the 12<sup>th</sup> year, the Board shall seek annual shareholders' approval through a two-tier voting process as set out in the Code.

### **5.3 Board Committees**

The Board may from time to time establish appropriate Committees to assist it in the discharge of its responsibilities. The Board has established Board Committees entrusted with specific tasks to assist the Board in carrying out its fiduciary duties. These Committees deliberate on certain particular issues and report their findings and recommendations to the Board. However, the ultimate responsibility for all decisions lies with the entire Board.

The Board Committees are as follows:

#### **a) Audit Committee (AC)**

- (i) All the members of the AC must be Non-Executive Directors, with a majority of the members being Independent Directors and at least one member of the Committee must be a member of the Malaysian Institute of Accountants in accordance with the Listing Requirements.
- (ii) The Chairman of the AC shall not be the Chairman of the Board.
- (iii) The primary objective of the AC is to assist the Board to review the adequacy and integrity of the Group's internal control systems and to ensure that financial statements comply with applicable financial reporting standards before their submission to the Board for approval.
- (iv) The Audit Committee Charter establishes the authority, objectives and scope of the AC.

#### **b) Nomination Committee ("NC")**

- (i) The members of the NC shall comprise exclusively of Non-Executive Directors, majority of whom must be independent.
- (ii) The Chair of the NC shall be the Senior Independent Director identified by the Board to whom concerns of shareholders and other stakeholders may be conveyed.
- (iii) The NC shall be responsible to assess and recommend the candidature of Directors and appointment of Directors to Board Committees.
- (iv) The NC shall conduct an annual assessment of the Board, Board Committees and individual Directors to assess their effectiveness and contribution to the Board.
- (v) The Terms of Reference of the NC set out the duties and administration of the NC.

#### **c) Remuneration Committee ("RC")**

- (i) The members of the RC shall comprise exclusively of Non-Executive Directors.
- (ii) The RC shall be responsible to recommend fair remuneration to the Board for the purpose of attracting, retaining and motivating Directors.

(iii) The remuneration package shall be aligned with the business strategy and long term objectives of the Company and reflect the Board's responsibilities, expertise and complexity of the Company's business activities.

(iv) The Terms of Reference of the RC set out the duties and administration of the RC.

**d) Risk Management Committee ("RMC")**

(i) The RMC members shall be appointed by the Board and shall comprise a majority of Independent Directors, to oversee the Group's risk management framework and policies.

(ii) The duties and responsibilities of the RMC which are to be carried out with due care and diligence for all identified risks based on the information available are as follows:

- to assist the Board to oversee the overall management of such risks; and
- to report, advise and recommend to the Board, the overall risk appetite, tolerance and strategy on managing such risks.

(iii) The Terms of Reference of the RMC set out the duties and administration of the RMC.

**5.4 Board Meetings**

(a) The Board shall meet at regular intervals during the financial year and Directors must not be absent from more than 50% of the total Board meetings held. A Director who is unable to attend any meeting may participate by means of audio or visual communication in accordance with the 3<sup>rd</sup> schedule of the Companies Act 2016.

(b) The notice of Board meetings and Board papers/meeting materials shall be circulated to Directors at least five (5) business days in advance of the Board meeting to ensure that Directors are fully apprised of matters arising to enable them to effectively discharge their responsibilities. Any additional information requested by Directors must be readily available.

(c) The Board shall have a formal schedule of matters reserved to it for deliberation and decision as stated above.

(d) All proceedings of the Board meetings shall be minuted and signed by the Chairman of the meeting in accordance with the Constitution and the Companies Act, 2016.

**5.5 Supply of Information**

(a) Executive Directors shall provide prior briefings, if necessary, to the other Board members to ensure that they have full knowledge and understanding of Board papers before deliberations for important matters which require the Board's decision. Senior Management members/Head of Departments may also be invited

to attend Board meetings to provide the Board with detailed explanations and clarifications.

- (b) The Board will be notified of any corporate announcements to be released to Bursa Malaysia and kept informed of updates issued by the various regulatory authorities by the Company Secretary.
- (c) Monthly reports on the performance of the Company/Group will also be circulated to the Directors for their views and comments.
- (d) In furtherance of their duties, Directors shall also have direct and unrestricted access to Management.

#### **5.6 Independent Professional Advice**

- (a) Directors shall have access to all information pertaining to the Company/Group as well as to seek independent professional advice at the Company's expense, if necessary, in the furtherance of their duties.
- (b) The Board or the individual Director shall inform the Company Secretary prior to engaging an independent professional adviser.
- (c) Any individual Director may seek independent professional advice up to the limit of RM100,000 (for the professional adviser's fee) per case/subject matter.
- (d) In the event the independent professional adviser's fee exceeds RM100,000, the Director shall obtain approval from the Chairman.
- (e) If the request for advice is initiated by the Chairman and the independent professional adviser's fee exceeds RM100,000 and up to RM1 million, the Chairman shall obtain approval from another Independent Director of the Company.
- (f) The independent professional advice shall be circulated to all Board members as soon as it is available.

#### **5.7 Company Secretary**

- (a) The Directors shall have access to the advice and services of the Company Secretary who shall ensure that all necessary information is obtained from Directors for the Company's own records and for the purposes of meeting statutory conditions, obligations arising from the Listing Requirements and other regulatory requirements.
- (b) The Chairman shall be entitled to the positive support of the Company Secretary in ensuring the effective functioning of the Board.
- (c) The appointment and removal of the Company Secretary shall be within the purview of the Board.

- (d) The duties and responsibilities of the Company Secretary include:
- (i) Managing all Board and Committee meeting logistics, attend and record minutes of all Board and committee meetings and facilitate Board communications;
  - (ii) Advising the Board on its roles and responsibilities;
  - (iii) Facilitating the orientation of new Directors and assist in Director training and development;
  - (iv) Advising the Board on corporate disclosures and compliance with company and securities regulations and Listing Requirements;
  - (v) Managing processes pertaining to the annual shareholder meeting;
  - (vi) Monitoring corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and
  - (vii) Serving as a focal point for stakeholders' communication and engagement on corporate governance issues.

## **5.8 Directors' Training**

- (a) All members of the Board must successfully complete the Mandatory Accreditation Programme prescribed by Bursa Malaysia.
- (b) The Board will assume the onus of determining or overseeing the training needs of their Directors. The Directors are encouraged to attend relevant seminars and courses to keep themselves abreast on the various issues facing the changing business environment, regulatory and corporate governance developments to enhance their professionalism, skills and knowledge to effectively discharge their duties and obligations.
- (c) A familiarization programme will be conducted for new Directors which includes a presentation of the Group's operations, meetings with senior Management and site visits, where appropriate, to facilitate their understanding of the Group.
- (d) The Company Secretary shall facilitate Director's induction and assist with professional development.

## **6. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS**

- 6.1 The Board will maintain an effective communications policy that enables both the Board and Management to communicate effectively with shareholders and the general public to ensure that timely and equal dissemination of relevant information are provided to them.
- 6.2 The Managing Director and the Executive Directors shall also meet with analysts, fund managers, institutional shareholders and investors to provide updates on the performance as well as new developments of the Group.

- 6.3 The Board encourages shareholders' participation at the Company's Annual General Meeting (AGM). The AGM remains the principal forum for dialogue with shareholders where it provides an opportunity for the shareholders to seek clarifications on the Group's operations.

## **7. SUSTAINABILITY**

- 7.1 The Board is responsible for and shall ensure that Group's strategies and policies promote sustainability by providing innovations for its customers and keeping up with ethical, ecological, economic and social concerns.

- 7.2 In this regard, the Board will ensure commitment towards:

- (i) the wellbeing of the Group's employees;
- (ii) the impact of the Group's business activities towards the environment;
- (iii) community welfare; and
- (iv) the marketplace.

## **8. REVIEW OF BOARD CHARTER**

The Board shall review the Board Charter, as and when deemed necessary to ensure its relevance in assisting the Board in discharging its duties in accordance with the changes in corporate laws, requirements and regulations that may arise and to remain consistent with the Board's objectives and responsibilities.

*This revised Board Charter was reviewed and approved by the Board on December 8, 2017 in accordance with the principles, practices and guidance set out in the Code, the Listing Requirements and the Corporate Governance Guide by Bursa Malaysia and updated with the new Company name on 30 December 2021.*

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