



**QL RESOURCES BERHAD**  
**(428915-X)**

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# **BOARD CHARTER**

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## **ABBREVIATION/DEFINITION**

AGM	- Annual General Meeting
Board	- Board of Directors of the Company
Bursa	- Bursa Malaysia Securities Berhad
CA	- Companies Act, 1965
CSR	- Corporate Social Responsibility
EGM	- Extraordinary General Meeting
EXCO	- Executive Committee
Group	- QL and its subsidiaries
GMD	- Group Managing Director
Independent Director	- Defined in accordance with Paragraph 1.01 of the MMLR
Management	- Management of the Company
M&A	- Memorandum and Articles of Association of the Company
MCCG	- Malaysian Code on Corporate Governance 2012
MMLR	- Main Market Listing Requirements of Bursa
QL or Company	- QL Resources Berhad
SC	- Securities Commission

## 1. INTRODUCTION

### 1.1 ABOUT QL

The story of QL Resources Berhad began in the early 1980s when Dr Chia Song Kun and family formed what was to become today's diversified, billion ringgit Group.

Beginning with a small-scale distribution network for animal feed raw materials, the business grew to become a one-stop distribution centre and a significant regional integrated livestock farming player.

QL diversified into the fisheries sector through the development of a marine-based manufacturing chain. Starting with fishmeal and working up to higher-value surimi, the division is now considered Asia's largest producer and manufacturer of both products.

The Group also moved into palm oil, which is seen as a profitable growth area for the future. From a foothold in crude palm oil milling the move was widened through the development of plantations in Malaysia and Indonesia.

Today QL has a coherent, complementary set of businesses with a combined objective: to add value to our broad, resource-based Group.

#### ***Marine Products Manufacturing Activities***

- *We are the largest producer of surimi in Asia as well as the largest fishmeal and surimi-based products manufacturer in Malaysia.*

#### ***Palm Oil Activities***

- *We are an independent crude palm oil miller in Sabah, Malaysia.*
- *Own and manage a 3,000 acre palm oil estate, also in Sabah.*
- *In Eastern Kalimantan, Indonesia, we own and manage a 40,000 acre oil palm plantation.*

#### ***Integrated Livestock Farming Activities***

- *We are one of Malaysia's leading distributors of animal feed raw materials.*
- *We are also one of Malaysia's leading poultry egg producers.*
- *We are a leading integrated broiler producer in East Malaysia*

### 1.2 MISSION, VISION, VALUES & PERSONALITY

#### ***Mission***

*We create nourishing products from agro resources, leading to benefit for all parties*

#### ***Vision***

*To be preferred global agro based enterprise*

## **Values**

*Integrity, win-win, team work, innovative*

## **Personality**

*Progressive, trustworthy, initiative, humility*

## **2. PURPOSE OF BOARD CHARTER**

The Board of Directors of QL recognises the importance of adopting high standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and financial performance of the Group.

As such, the Board has outlined the Company's corporate governance policy in the form of a Board Charter that defines the respective roles, responsibilities and authorities of the Board, both individually and collectively, and of management in setting direction, management and control of the organisation.

The purpose of this Board Charter is to document the policies upon which the Board has decided to meet its legal and other responsibilities.

This Charter is designed to provide guidance and clarity for Directors and Management regarding the role of the Board and its Committees, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as the Board's operating practices.

*(MCCG 2012  
Recommendation  
1.7)*

## **3. DEFINING GOVERNANCE ROLES**

### **3.1 THE ROLE OF THE BOARD**

The Board is ultimately responsible for establishing all strategies and policies relating to the running of the Company.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. Details of these are set out in **Appendix A**.

*(MCCG 2012  
Recommendation  
1.1)*

The Board shall establish an internal audit function, which is independent of the activities it audits, and identify a head of internal audit who reports directly to the Audit Committee.

*(MMLR  
Paragraph 15.27)*

The Board also seeks to ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

The principal responsibilities of the Board are:

*(MCCG 2012  
Recommendation  
s 1.2 and 1.4)*

- to review and adopt strategic plans, addressing the sustainability of the Group's business;
- to oversee the conduct of the Group's businesses and evaluate whether or not the businesses are being properly managed;
- to identify principal business risks faced by the Group and ensure the implementation of appropriate systems to manage these risks;
- to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of the Board and Senior Management;
- to develop and implement an investor relations programme or shareholder communications policy for the Company; and
- to review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

### **3.2 THE ROLE OF INDIVIDUAL DIRECTOR**

Director is required to be aware of the legal parameters that define his duties, broadly these includes:-

*(Bursa CG Guide  
1.3)*

- Duty to act in good faith and must act honestly in line with the Company's interests;
- Duty to exercise power for a proper purpose;
- Duty to exercise discretion properly and cannot fetter these powers by abdicating an independent exercise of such discretion and merely doing what is wanted by another person; and
- Duty to avoid conflict of interest and self-dealing through improper use of Company's property, information, position, corporate opportunity or competing with the Company by a director or an officer of a company unless consent or ratification is obtained in a general meeting.

Director should exercise reasonable care, skill and diligence according to the knowledge, skill and experience which may be reasonably be expected of him having the same responsibilities; and based on the facts, any additional knowledge, skill and experience which he has and may be guided as follows:-

*(Bursa CG Guide  
1.3)*

- Ensuring that the Company or Group has established an effective governance system and process;

- Refraining from rushing into decision-making. Provide adequate time for deliberations and evaluations of transactional and financial matters;
- Require sufficient notice and distribution of board papers and explanatory appendices in advance of meetings;
- Convene supplemental meetings in response to requests for further information before the final decision;
- Make informed decisions based on the information provided and analysis and recommendations of the company's independent professional advisers;
- Ensuring that there is no undue pressure from dominant personalities or nominees of significant shareholders;
- Base reliance on others where there is sound basis for doing so; and
- Periodically test internal control and risk assessment systems set up for integrity and soundness.

### **3.3 THE ROLE OF EXECUTIVE AND NON-EXECUTIVE DIRECTOR**

Executive Directors are, as employees, involved in the day-to-day management of the Group. Non-Executive Directors are further classified as:-

- those who have no direct or indirect pecuniary interest in the Company other than their Directors' fee related emoluments and their "permitted" holdings of shares in the Company, i.e. Independent Non-Executive Directors; and
- those who are not employees of the Company or affiliated with it in any other way and are not involved in the day-to-day running of business but have pecuniary interest in the Company, either as shareholders or otherwise and whether direct or indirect, i.e. Non-Executive Directors.

*(MMLR  
Paragraph 1.01)*

Non-Executive Directors act as a bridge between Management, shareholders and other stakeholders. They provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied. Letters of appointment for Non-Executive Directors do not set out a fixed time commitment for board duties as the Board believes that the time required by the Non-Executive Directors may fluctuate depending on demands of the business and other events. However, it is expected that Non-Executive Directors shall allocate sufficient time to the Company to perform their duties effectively.

*(MCCG 2007)*

*(MCCG 2012  
Recommendation  
4.1)*

### **3.4 THE ROLE OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

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.

*(MCCG 2007 &  
MCCG 2012  
Recommendation  
3.1 Commentary)*



The MMLR emphasize that even if a person does not fall within any of the disqualifying indicators enumerated out in Paragraph 1.01, both the Director and the Board must give effect to the spirit, intention and purpose of the definition of an Independent Director. There must be a conscious application of the test of whether the said Director is able to exercise independent judgment and act in the best interests of the Company.

*(MMLR  
Paragraph 1.01 &  
its Practice Note)*

The attributes of collegial yet independent decision-making that must be vested in the Independent Director will be determined in part by the character of the individual and that of the whole ethos of the Board.

### **3.5 ROLE OF SENIOR INDEPENDENT DIRECTOR**

QL has appointed a Senior Independent Director to whom concerns may be conveyed by shareholders and the public. The role of the Senior Independent Directors include:-

*(Bursa CG Guide  
1.5.4)*

- Ensuring all independent directors have an opportunity to provide input on the agenda, advise the Chairman on quality, quantity and timeliness of the information submitted by the Management that is necessary or appropriate for the independent directors to perform their duties effectively;
- Consulting the Chairman regarding board meeting schedule to ensure the independent directors can perform their duties responsibly and with sufficient time for discussion of all agenda items;
- 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 or GMD;
- Serve as the principal conduit between the independent directors and the Chairman on sensitive issues, for example issues arising from “whistle-blowing”; and
- Chair the meeting between the Non-Executive Directors where both the Chairman and Executive Directors do not attend.

### **3.6 THE ROLE OF CHAIRMAN**

The Chairman carries out a leadership role in the conduct of the Board and its relations to shareholders and other stakeholders.

*(MCCG 2012  
Recommendation  
3.4, including its  
Commentary)*

There are two main aspects to the Chairman's role. They are the Chairman's role within the boardroom and the Chairman's role outside the boardroom.

#### **3.6.1 Inside the Boardroom**

Inside the Boardroom, the role of the Chairman is to:

- Establish the agenda for Board meetings in consultation with the GMD and Company Secretary;
- Ensure that all Directors are enabled and encouraged to participate at Board meetings. This includes ensuring that all relevant issues

- are on the agenda and that all Directors receive timely and relevant information tailored to their needs and that they are properly briefed on issues arising at Board meetings;
- Ensure that Executive Directors look beyond their executive functions and accept their full share of the responsibilities of governance;
  - Guide and mediate the Board's actions with respect to organisational priorities and governance concerns;
  - Undertake the primary responsibility for organising the information necessary for the Board to deal with items on the agenda and for providing this information to Directors on a timely basis;
  - Chair Board meetings;
  - Be clear on what the Board has to achieve, both in the long and short term;
  - Provide guidance to other Board members about what is expected of them;
  - Ensure that Board meetings are effective in that:
    - the appropriate matters are considered during the meeting (for example, strategic and important issues);
    - matters are considered carefully and thoroughly;
    - all Directors are given the opportunity to effectively contribute; and
    - the Board comes to clear decisions and resolutions are noted;
  - Ensure that the Board behaves in accordance with its Charter; and
  - Perform other responsibilities as assigned by the Board, from time to time.

### 3.6.2 Outside the Boardroom

Outside the Boardroom, the role of the Chairman is to:

- In conjunction with the GMD, undertake appropriate public relations activities;
- Be the spokesperson for the Company at the annual general meeting and in the reporting of performance and profit figures;
- Be the major point of contact between the Board and the GMD;
- Be kept fully informed of current events by the GMD on all matters which may be of interest to Directors;
- Regularly review with the GMD, and such other appropriate senior officers, progress on important initiatives and significant issues facing the Company;
- Provide mentoring for the GMD; and
- Initiate and oversee the annual GMD evaluation process.

### 3.7 THE ROLE OF GMD

The GMD is responsible for implementing the programme to achieve the Company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the Board. The position reports directly to the Board.

*(MCCG 2012  
Recommendation  
3.4 Commentary)*

The GMD's primary objective is to seek to achieve the ongoing success of the Company through being responsible for all aspects of the management and development of the Company. The GMD is of critical importance to the Company in guiding the Company to develop

new and imaginative ways of winning and conducting business and must possess industry knowledge and credibility to fulfill the requirements of the role.

The GMD will manage a team of executives responsible for all functions contributing to the success of the Company.

The GMD specific responsibilities will include:-

- Developing the strategic direction of the Group and provide directions in the implementation of short and long terms strategies and plans.
- Overseeing the day-to-day operations to ensure smooth and effective running of the Group.
- Selecting and appointing key staff as well as responsible for ensuring high competency, productivity and performance through performance management and professional development.
- Communicating the Group's mission, vision, values and personality to the employees.
- At each of its scheduled meetings, the Board should expect to receive from or through the GMD:
  - summary reports on the performance and activities of the Group and specific proposals for capital expenditure acquisitions and disposals; and
  - such assurances as the Board considers necessary to confirm that the Management's limits are being observed.
- The GMD is expected to act within all specific authorities delegated to him by the Board.
- Executive management of the Group's business, covering, inter-alia, the development of a sustainable strategic plan, an annual operating plan and budget, performance benchmarks to gauge Management's performance, and an analysis of Management reports.
- Developing long-term strategic and short-term profit plans, designed to ensure that the Group's requirements for growth, profitability and return on capital are achieved.
- Directing and controlling all aspects of the business operations in a cost effective manner.
- Effectively overseeing the human resource of the organisation with respect to key positions in the Group hierarchy and ensuring the general well-being of employees, including the determination of remuneration as well as terms and conditions of employment for Senior Management personnel and issues pertaining to discipline of all employees.
- Effectively representing the interest of the Group with major customers, governments and their agencies, and industries at large, to ensure general goodwill towards the Group and cooperation in planned development.
- Providing assistance to members of the Audit, Nominating and Remuneration Committees, as required, in discharging their duties.
- Assisting the Chairman in organising information necessary for the Board to deal with the agenda and for providing such information to Directors on a timely basis.

- Ensuring the success of the Company's governance and management functions.
- Undertaking the role of key company spokesperson.
- Ensuring appropriate risk management practices and policies are in place.
- Developing and motivating direct reports and their respective teams.
- Assessment of business opportunities of potential benefit to the Company.
- Responsibility for proposals for major capital expenditure to ensure their alignment with corporation strategy and justification on economic grounds.

In discharging the above responsibilities, the GMD can delegate appropriate functions to any Executive Director.

### 3.8 BOARD COMMITTEES

As managing and controlling companies have become more complex and demanding, boards are resorting to committees to assist them in the discharge of their duties and responsibilities.

*(Bursa CG Guide  
1.14)*

However, the existence of board committees does not diminish the board's responsibility for the affairs of a company. Boards can delegate powers to committees but such delegation should be subject to the following:-

- Delegated authority in accordance with the Company's Articles of Association;
- Clearly established terms of reference, defining their responsibilities and authority, which are approved by the Board;
- The Board must supervise its delegation; and
- The Board must not merely adopt or rely on the committees' recommendations without proper assessment and testing or challenging the same.

Each committee's role should be spelt out in written terms of reference approved by the Board. Each year, the Board, through Nominating Committee, reviews the board committee's effectiveness. The Chairman of each board committee should assess the performance of individual member on annual basis. These assessments can be used to facilitate the Nominating Committee's evaluation of board committees' performance.

The Board has established the following Board Committees of which the role of the respective Board Committees are as summarised below:-

#### 3.8.1 EXCO

EXCO is entrusted with the duty of overseeing the effective implementation of the Board's strategies and directions and successful achievement of Group's corporate objectives. The terms of reference of the EXCO are attached under **Appendix B**.

### 3.8.2 Risk Management Committee

The Risk Management Committee is primarily responsible for the development of risk management framework and managing the principal risks of the Group. The terms of reference of the Risk Management Committee are attached under **Appendix C**.

*(MCCG 2012 Recommendation 6.1 and Statement on Risk Management & Internal Control – Guidelines for Directors of Listed Issuers)*

### 3.8.3 Audit Committee

The Audit Committee is formed to play a crucial role in corporate governance process, a process that is one of the cornerstones of shareholders' protection. Board may delegate, but not abdicate its responsibilities to the Audit Committee.

The Audit committee should assume four fundamental responsibilities:-

*(Bursa CG Guide 2.2)*

- Assessing the risks and control environment;
- Overseeing financial reporting;
- Evaluating the internal and external audit process; and
- Reviewing conflict of interest situations and related party transactions.

The terms of reference of the Audit Committee are attached under **Appendix D**.

### 3.8.4 Nominating Committee

The Nominating Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience, assessment of independent directors', reviews succession plans and, boardroom diversity; oversees training courses for directors and other requisite qualities of Directors, as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director. The terms of reference of the Nominating Committee are attached under **Appendix E**.

*(MCCG 2012 Recommendations 2.1 and 2.2 and MMLR Paragraph 15.08A)*

### 3.8.5 Remuneration Committee

The Remuneration Committee is responsible for reviewing and recommending the remuneration framework for Directors as well as the remuneration packages of Executive Director and Non-Executive Director to the Board, drawing from outside advice if necessary. The terms of reference of the Remuneration Committee are attached under **Appendix F**.

*(MCCG 2007 and MCCG 2012 Recommendation 2.3 Commentary)*

### 3.9 COMPANY SECRETARY

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board recognizes the fact that the Company Secretary should be suitably qualified and capable of carrying out the duties required of the post.

*(MCCG 2007 and  
MCCG 2012  
Recommendation  
1.6)*

The key role of the Company Secretary is to provide unhindered advice and services for the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.

The primary responsibilities of the Company Secretary include:

- ensuring that Board procedures and applicable rules are observed;
- maintaining records of the Board and ensuring effective management of the Company's records;
- preparing comprehensive minutes to document Board proceedings and ensure conclusions are accurately recorded; and
- carrying out other functions as deemed appropriate by the Board from time to time.

## 4. COMPOSITION AND BOARD BALANCE

### 4.1 SIZE AND COMPOSITION

The Board currently consists of eleven members; comprising one Independent Non-Executive Chairman, one GMD, six Executive Directors and three Independent Non-executive Directors.

The Board will ensure that its size and composition is optimum and well balanced, which is consistent with the size of the Group and its operation. At least 1/3 of the Board, or two (2) members, whichever higher, shall consist of Independent Non-Executive Directors. If the number of directors is not 3 or a multiple of 3, then the number nearest 1/3 must be used. The Company's Articles of Association allows a minimum of 2 and maximum of 15 Directors.

*(MMLR  
Paragraph  
15.02)*

*(Articles of  
Association 94)*

The Board opined that its members should have wide ranging experience, skill and knowledge that add value to the Company and its Group. The qualifications for Board membership are the ability to make informed business decisions and recommendations; possesses an entrepreneurial talent for contributing to the creation of shareholder value; relevant experience, the ability to appreciate the wider picture of the Group's business; ability to ask probing operational related questions; high ethical standards; sound practical sense; and total commitment to furthering the interests of shareholders and achievement of the Group's goals. In addressing this, the Board shall consider recommendations by the Nominating Committee pertaining to nominees for directorship in the Company.

*(MCCG 2012  
Recommendation  
2.2)*

The executive directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-coordinating the development and implementation of business and corporate strategies.

The independent non-executive director shall be person of caliber, credibility and have the necessary skill and experience to bring independent judgment to the decision making of the Board and provide a capable check and balance for the executive directors as well as contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls.

The positions of Chairman and GMD are held by different individuals and the Chairman is an independent non-executive member of the Board and there is a clear division of responsibilities of these individuals to ensure a balance of authority and power.

*(MCCG 2012  
Recommendation  
3.4)*

## 4.2 APPOINTMENT AND RE-ELECTION

The Board will consider and decide on the appointment of a new director upon appropriate recommendation from the Nominating Committee.

For the assessment and selection of Directors, the Nominating Committee shall consider prospective Directors' character, experience, competence, integrity and time availability, as well as the following factors:

*(MCCG 2012  
Recommendation  
2.2 and MMLR  
Paragraph 15.08A)*

- industry skills, knowledge and expertise;
- professionalism;
- diversity;
- contribution and performance; and
- in the case of candidates for the position of Independent Non-Executive Directors, the Board shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.

Newly appointed director unless they have already attended the same, must attend Mandatory Accreditation Programme as prescribed by Bursa.

Pursuant to the Company's Articles of Association, one third (1/3) of the Board members are required to retire at every Annual General Meeting and be subjected to re-election by shareholders.

*(MMLR, MCCG  
2007 & Articles of  
Association)*

Newly appointed directors shall hold office until the next annual general meeting and shall be subjected to re-election by the shareholders.

All Directors shall retire once every three years but shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment by the shareholders annually in accordance with Section 129(6) of the Companies Act, 1965. The resolution must be passed by a majority of not less than  $\frac{3}{4}$  of such members of the Company present and voting who, being so entitled to do so, vote in person or by proxy at the General Meeting of the Company.

### 4.3 INDEPENDENT DIRECTOR

Independent director is a person who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Company.

The existence of independent directors on the board by itself does not ensure the exercise of independent and objective judgment as independent judgment can be compromised by, amongst others, familiarity or close relationship with other board members.

*(MCCG 2012  
Recommendation  
3.1)*

Therefore, the Board with assistance from Nominating Committee undertakes to carry out annual assessment of the independence of its independent directors and focus beyond the independent director's background, economic and family relationships and consider whether the independent director can continue to bring independent and objective judgment to board deliberations.

The Listing Requirements emphasise that even if a person does not fall within any of the disqualifying indicators enumerated out in Paragraph 1.01 of the Listing Requirements, both the Director and the Board must give effect to the spirit, intention and purpose of the definition of an Independent Director. There must be a conscious application of the test of whether the said Director is able to exercise independent judgment and act in the best interests of the Company.

The attributes of collegial yet independent decision-making that must be vested in the Independent Director will be determined in part by the character of the individual and that of the whole ethos of the Board.

The tenure of an independent director should not exceed a cumulative term of nine (9) years.

*(MCCG 2012  
Recommendation  
3.2)*

Upon completion of nine (9) years, an independent director may continue to serve the Board subject to the director's re-designation as a non-independent director and assessment of the Nominating Committee.

The Board must justify and seek shareholders' approval in the event it retains an independent director who has served in that capacity for more than nine (9) years.

*(MCCG 2012  
Recommendation  
3.3)*

### 4.4 THE BOARD'S RELATIONSHIP WITH SHAREHOLDERS AND STAKEHOLDERS

*(MCCG 2012  
Recommendations  
8.1, 8.2 and 8.3)*

The Board shall maintain an effective communications policy that enables both the Board and Management to communicate effectively with shareholders, stakeholders and the general public.



It is the role of the Board to ensure that the Annual General Meeting (“AGM”) and Extraordinary General Meeting (“EGM”) of the Company are conducted in an efficient manner and serve as crucial mechanisms in shareholder communications. Key ingredients behind this include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the AGM and EGM. The Board shall focus its efforts on the following practices to enhance the effectiveness of General Meeting:

- ensure that each item of special business included in the notice is accompanied by a full explanation of the effects of the proposed resolution;
- for re-election and re-appointment of Directors, ensure that the notice of meeting states which Directors are standing for re-appointment or re-election, with a brief description including matters such as age, relevant experience, list of directorships, date of appointments to the Board, details of participation in Board Committees and whether a particular Director is independent;
- ensure that the Chairman provides reasonable time for discussion at the meeting. Where appropriate, the Chairman will also undertake to provide the enquirer with a written answer to any significant question which cannot be answered immediately;
- ensure that substantive resolutions, including, but not limited to, non-recurrent related party transactions, acquisitions and disposals of assets, and appointments/ re-appointments of directors are considered by poll and announce the detailed results the votes cast for and against each resolution. The Chairman shall also inform shareholders of their right to demand a poll vote at the commencement of the general meeting; ensure that there is a channel of communication through the Company Secretary on feedback and queries from shareholders;
- ensure the Chairman of the Board is the Chairman for all General Meetings; and
- ensure that the Company publishes these measures listed above, on its corporate website on a dedicated Corporate Governance section.

*(MCCG 2012  
Recommendation  
8.2 and MMLR  
Paragraph 10.08  
[7A])*

*(MCCG 2012  
Recommendation  
8.1 Commentary)*

## **5. BOARD PROCESS**

### **5.1 BOARD MEETINGS**

The Board meets in person five (5) times but not less than four (4) times in a year. The Company Secretary shall in advance prepare and distribute to all Directors a timetable for the meetings for the year. The Company Secretary shall work together with the Chairman and GMD in developing the annual meeting timetable.

A Director may at any time and the secretary shall on the requisition of a director summon a meeting of the directors by giving them not less than seven days’ notice thereof unless such requirement is waived by them.

*(Articles of  
Association 118)*

The quorum necessary for the transaction of the business of the directors shall be two.

*(Articles of Association 119)*

The Chairman of the Board shall preside at all meetings. If the Chairman is unavailable or if he is not present within fifteen (15) minutes after the time set for the holding of the meeting, the Directors present shall elect one (1) of their number to be Chairman of the meeting.

*(Articles of Association 69 & 122)*

Board members are required to attend the Board meetings. However, other senior management may be invited to attend meetings for particular items within their responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when the need arises.

Resolutions of any meeting of the Directors shall be decided by a majority of votes and a determination by a majority of directors shall for all purposes be deemed a determination of the directors. In case of an equality of votes, the Chairman of the Meeting shall have a second or casting vote.

*(Articles of Association 120)*

Resolutions of the Directors at a meeting or adjourned meeting of the Directors shall be adopted by all Directors present. In the event issues requiring the Board's decision arise between meetings, such issues shall be resolved through circular resolution subsequent to discussions being held amongst the Board members, either via teleconference, videoconference, email, etc. in order for the Board as a whole to be apprised on such matters and obtain their view points before arriving at a decision.

Such circular resolution in writing shall be valid and effective if it is signed or approved by letter, telex, telegram, cable, facsimile or other electrical or digital written message by the majority of the Directors, and such discussions, including any concerns raised and the rationale for the decisions so made in the resolution shall be tabled at the immediate Board meeting for formal record keeping.

*(Articles of Association 130)*

Directors shall be deemed to be present in person at a meeting if he participates by telephone, audio or audio visual or such other electronic means and all members participating in the meeting are able to hear and/or see each other. The Directors participating in any such meeting shall be counted in the quorum for such meeting. All resolutions agreed upon by the Directors in such a meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Directors duly convened and held. All information and documents must be made equally available to all participants prior to, at, or during the meeting.

*(Articles of Association 118A)*

A Director shall not participate in any discussion and abstain from voting on contracts or proposed contracts or arrangements in which he has direct/indirect interests. A Director shall also not vote on contracts or proposed contracts or arrangements with any other company in which he is interested either in his capacity as an officer of the

*(Articles of Association 123)*

Company or as a shareholder of the Company.

A director notwithstanding his interest may, provided that none of the other directors present disagree, be counted in the quorum present at any meeting whereat he or any other director is appointed to hold office or place of profit under the Company or whereat the directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a director to hold any office or place of profit under any other company whereat the terms of such appointment as hereinafter mentioned are considered or where any decision is taken upon any contract or arrangement which he is in any way interested provided always that he has complied with Section 131 and all other relevant provisions of the CA and its M&A.

*(Articles of Association 124)*

All acts done by any meeting of the directors or of a committee of directors or by any person acting as a director shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any such director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.

*(Articles of Association 125)*

## **5.2 AGENDA**

The notice of a Directors' meeting shall be given in writing at least seven (7) days, or shorter notice where it is unavoidable, prior to the meeting. The Chairman, in conjunction with the Managing Director and the Company Secretary, shall undertake the primary responsibility for preparing the Board's agenda. The agenda shall include, amongst other things, matters specifically reserved for the Board's decision. The Board shall record its deliberation, in terms of the issues discussed, and the conclusions thereof, in discharging its duties and responsibilities.

The agenda shall address high-priority strategic and operational issues, where necessary, and ensure that there is enough time for discussion. Agenda issues shall be aligned with the overall Company's context, including its starting situation, aspiration and priorities.

## **5.3 MEETING PAPERS**

To allow sufficient time for Directors to consider the relevant information, Board papers and agenda items are to be circulated at least seven (7) days, or a shorter period where unavoidable, prior to the meeting. Where there is a need to table a report, a brief statement of findings and/or recommendations is prepared.

Minutes are prepared following a Board meeting and are circulated in draft form. The draft minutes will be re-circulated with the Board papers in readiness for signing at the following meeting. The practice is for minutes to record processes and decisions rather than a historical narrative of the discussion or concluding remarks of final decisions made. If one or more Directors request their opinion to be noted, the Company Secretary shall comply with the request.

#### 5.4 ACCESS TO INFORMATION

*(MCCG 2012  
Recommendation  
1.5)*

A record of submissions, papers and material presented to the Board is maintained and kept by the Company Secretary, together with minutes of meetings, and is accessible to Directors during office hours.

All Directors (Executive and Non-Executive) have the same right of access to information relevant to the furtherance of their duties and responsibilities as Directors of the Company, subject to a formal written request to the Board Chairman furnishing satisfactory and explicit justification for such a request.

The procedures for obtaining access to information are set out under **Appendix G**.

#### 5.5 APPOINTMENT, VACATION OF OFFICE AND REMOVAL OF DIRECTORS

*(Articles of  
Association and  
MMLR)*

Upon the appointment of a Director, the said Director shall provide to Bursa an undertaking prescribed by Bursa immediately and in any event not later than fourteen (14) days.

Any Director of QL shall not be considered fit for directorship if the Director:

- has been convicted by a court of law, whether in Malaysia or elsewhere, of an offence in connection with the promotion, formation or management of a Company;
- has been convicted by a court of law, involving fraud or dishonesty where the conviction involved a finding that the Director acted fraudulently or dishonestly; or
- has been convicted by a court of law of an offence under the securities laws of Malaysia or the CA,

within a period of 5 years from the date of conviction or if sentenced to imprisonment, from the date of release from prison.

The office of director shall, ipso facto, be vacated if the director:-

- (a) upon his attainment of the age of seventy (70) years;
- (b) ceases to be a director by virtue of the CA;
- (c) becomes bankrupt or makes any arrangement or composition with his creditors generally during his term of office;
- (d) becomes prohibited from being a director by reason of any order made under the CA or contravenes Section 130 of the CA;
- (e) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office;
- (f) resign his office by notice in writing to the Company;
- (g) is removed from his office of director by resolution of the Company in general meeting of which special notice has been given; or
- (h) is absent from more than 50% of the total Board meetings held during a financial year unless approval is sought or obtained from Bursa.

*(Articles of  
Association 107)*

*(Articles of  
Association,  
MMLR and CA)*

Where a Director is removed from office, QL must forward to Bursa a copy of any written representations made by the Director at the same time as copies of such representations are sent to shareholders/Management of QL under Section 128(3)(b) of the CA.

## 5.6 INDUCTION PROCESS & DIRECTORS' TRAINING PROGRAMME

*(MCCG 2012  
Recommendations  
2.2 and 4.2)*

The objective of the induction process and training programme is to provide Directors with a rapid and clear insight into the Group as well as keeping them abreast with development in the market place pertaining to the oversight function of Directors. This will enable the Directors to discharge their duties and responsibilities effectively.

Induction of Directors may include the following:

- time with other Directors to enable further insights and knowledge of the Company, in particular the Chairman and the Company Secretary;
- furnishing of a copy of the previous Board minutes for at least the past six (6) months;
- visits to key sites;
- additional Board or Board Committee meetings as circumstances warrant during a given year. As in-depth knowledge of the particulars of the Company's/ Group's business is vital for each Director, Management is encouraged to structure Board or Board Committee meetings to allow direct involvement and review of operational activities (for example, by holding Board meetings in field operations and including market/ business activities in the Board meetings); and
- a formal one (1) to two (2) day induction programme, including the elements above, and also presentations by key management personnel.

Directors are strongly encouraged to undergo training to equip themselves to effectively discharge their duties as a Director and for that purpose he ensures that he attends such training programmes

Directors are required to undergo the mandatory accreditation programme under the requirements of Bursa. In addition, Directors are required to attend relevant training courses/seminars at periodic intervals to keep them abreast with development pertaining to the oversight function of Directors as well as updates on technical matters, for example financial reporting standards, tax budgets, etc. The Nomination Committee in association with the Chairman shall decide on the continuous education training programme for Directors.

At the start of each year, the Board collectively should discuss to assess the training needs of each Director and to decide on the type of training that may be required for effective and efficient discharge of Directors' duties and responsibilities.

The costs of the mandatory accreditation programme and/or continuing education program shall be borne by the Company.

## 5.7 CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS

A Director who is in any way, weather directly or indirectly, interested in a contract or proposed contract with the Company shall declare his interest in accordance with the provisions of the CA. The Directors shall state the fact and the nature, the character and extent of any office or profession of any property that may duly, directly or indirectly be in conflict with his duties as a Director. The Director concerned shall not participate in deliberations and shall abstain himself from casting his votes in any matter arising thereof otherwise as provided for in the M&A of the Company.

*(Articles of Association and CA)*

Should there be an actual, potential or perceived conflict of interest between the Company or a related corporation and a Director, or an associate of a Director such as a spouse or other family members, the Director involved shall make full disclosure and act honestly in the best interest of the Company.

*(CA)*

An actual, potential or perceived conflict of interest shall not necessarily disqualify an individual Director from the Board provided that full disclosure of the interest has been made in good faith and with due honesty.

Related party transactions include any financial transaction between a Director or officer and the Company and will be reported to each Board meeting.

## 5.8 DIRECTORS' EXTERNAL COMMITMENTS

Directors shall devote sufficient time to carry out their responsibilities. Directors shall notify the Chairman before accepting any new directorships and the notification shall provide for an indication of time that will be spent on the new appointment.

*(MCCG 2012 Recommendation 4.1)*

A Director of the Company or Group shall not hold more than five (5) directorships in listed company or such lesser number as required under MMLR.

*(MMLR Paragraph 15.06 (1))*

The Company Secretary should facilitate the Directors' annual independence and conflict of interests declarations, which will allow the Directors to perform an annual self-declaration on independence (i.e. for Independent Non-Executive Directors) and conflict of interest (i.e. for all Directors).

*(MCCG 2012 Recommendation 3.1)*

## 5.9 REPRESENTATION OF THE COMPANY

The Board looks to Management to speak on behalf of QL and to manage the communication of information to investors, other stakeholders and the public in an orderly and effective manner while adhering, at all times, to relevant laws and regulatory requirements. The

*(Bursa Corporate Disclosure Guide and MCCG 2012 Recommendation 7.1)*

Board authorises 2 of its members to be determined by the Board from time to time to be the official spokespersons for QL.

The Board shall have the relevant corporate disclosure policies and procedures to ensure comprehensiveness, accuracy and timeliness. These policies and procedures shall ensure compliance with the relevant disclosure requirements as enumerated in MMLR.

*(MCCG 2012  
Recommendation  
7.1)*

The Company shall consider the use of information technology in communicating with stakeholders, including a dedicated section for Investor Relations on the Company's website. This section shall provide information such as, amongst others, the Company's performance, corporate strategy, Annual Report and other matters affecting shareholders' interests.

*(MCCG 2012  
Recommendation  
7.2)*

A formal Investor Relations Policy will be developed and implemented.

## **5.10 THE COMPANY'S CONSTITUTION AND MANAGEMENT'S LIMITS**

The Board operates pursuant to the powers and is subject to rules in the Memorandum and Articles of Association of the Company as adopted by shareholders in general meeting.

*(Articles of  
Association 108)*

Management is expected to act within all specific authorities delegated to it by the Board.

Management is expected not to cause or permit any practice, activity or decision that is contrary to commonly accepted good business practices or professional ethics.

## **5.11 DIRECTORS' CODE OF CONDUCT**

*(MCCG 2012  
Recommendations  
1.3 and 1.4)*

The Board of Directors of QL shall ensure that the Group upholds high standards of ethics and corporate behaviour. A governing Board is in a position of trust. It holds in trust not only the Group's physical and intellectual assets but also the efforts of those who have gone before. It preserves and grows these things for the current and future generations. Its stewardship will protect the organisation from harm and steer it towards positive achievement.

In that light and in the performance of their duties, a Director of QL is first and foremost held accountable in demonstrating the following:

### ***Corporate Governance***

- (i) a clear understanding of the aims and purpose, capabilities and capacity of the Company;
- (ii) devote time and effort to attend meetings and to know what is required of the Board and each of its Directors, and to discharge those functions;
- (iii) ensure at all times that the Company is properly managed and effectively controlled;

- (iv) stay abreast of the affairs of the Company and be kept informed of the Company's compliance with the relevant legislation and contractual requirements;
- (v) insist on being kept informed on all matters of importance to the Company in order to be effective in corporate management;
- (vi) limit his directorship of companies to a number in which he can best devote his time and effectiveness; each Director is his own judge of his abilities and how best to manage his time effectively in the company in which he holds directorship;
- (vii) have access to the advice and services of the Company Secretary, who is responsible to the Board to ensure proper procedures, rules and regulations are complied with;
- (viii) at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the Company;
- (ix) disclose immediately all contractual interests whether directly or indirectly with the company;
- (x) not divert to his own advantage any business opportunity that the Company is pursuing, or misuses confidential information obtained by reason of his office for his own advantage or that of others;
- (xi) at all times act with utmost good faith towards the Company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties; and
- (xii) be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the Company is at stake.

***Relationship with Shareholders, Employees, Creditors and Customers***

- (xiii) be conscious of the interest of shareholders, employees, creditors and customers of the Company;
- (xiv) at all times promote professionalism and improve the competency of Management and employees; and
- (xv) ensure adequate safety measures and provide proper protection to workers and employees at the workplace.

***Social responsibilities and the Environment***

- (xvi) adopt an objective and positive attitude and give the utmost cooperation for the common good when dealing with government authorities or regulatory bodies;
- (xvii) ensure the effective use of natural resources, and improve quality of life by promoting corporate social responsibilities;
- (xviii) be proactive to the needs of the community and to assist in society-related programmes; and
- (xix) ensure that the activities and the operations of the Company do not harm the interest and well-being of society at large.



The Directors' Code of Conduct will be reviewed and updated periodically.

## 6. APPLICATION

The principles set out in this Charter are:

- a) kept under review and updated as practices on Corporate Governance develop further guidelines on Corporate Governance are issued by the relevant regulatory authorities;
- b) applied in practice having regard to their spirit and general principles rather than the form itself; and
- c) summarised in the Annual Report as part of a narrative statement by the Directors on Corporate Governance;

The Board endeavours to comply at all times with the principles and practices as set out in this Charter.

The Board will periodically review and update the Charter in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities.

*(Bursa CG Guide  
1.6.3 & MCGG  
2012  
Recommendation  
1.7)*

Any updates to the principles and practices set out in this Charter will be made available on the Company's website.

## **MATTERS RESERVED FOR COLLECTIVE DECISION OF THE BOARD**

The authorities of the Board are specified below and may be varied from time to time as determined by the Board.

### **Conduct of the Board**

- Appointment and recommendation for removal of directors.
- Appointment and removal of Company Secretaries.
- Appointment of Board committees and members.
- Recommendation for appointment/reappointment of auditors.
- Approval of terms of reference of board committees and amendments to such terms.
- Appointment of Senior Executive positions, including that of the GMD & ED of the Company and their duties and the continuation (or not) of their service.

### **Remuneration**

- Approval/recommendation of the directors' fee/remuneration arrangements for non-executive directors.
- Approval of remuneration packages including service contracts for GMD and ED..
- Approval of remuneration structure and policy for GMD & ED.
- Approval of any proposed employees' share option scheme and/or amendments to the scheme, subject to other approvals that may be required by law or regulations.

### **Operational**

- Review and approval of strategic plan and annual budget.
- Approval of capital expenditure above the prescribed amount as may be determined from time to time.
- Approval of bad debts write-off in excess of the prescribed amount as may be determined from time to time.
- Approval of investment or divestment in a company/business/property undertaking;
- Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities.
- Approval of changes in the major activities of the Company or Group.
- Approval of treasury policies and bank mandate.
- Approval of the Limits of Authority for the Company.

### **Financial**

- Approval of interim and annual financial statements.
- Approval for the release of financial announcements.
- Approval of the Directors' Report, Corporate Governance Statement and Statement of Risk Management and Internal Control for inclusion in the Company's Annual Report and Statutory Accounts.
- Approval of interim dividends, the recommendation of final dividends and the making of any other distribution.
- Adoption of accounting policies in line with Financial Reporting Standards.
- Review the effectiveness of the Group's system of risk management and internal control. This function is delegated to the Audit Committee which will in turn report to the Board on its findings.

### **Other Matters**

- The granting of powers of attorney by the Company.
- The entering into of any indemnities or guarantees.
- Recommendations for the alteration of the Memorandum and Articles of Association of the Company.
- Alteration of the accounting reference date, registered office and name of the Company.
- Change in financial year end.
- Recommendation for purchase of own shares by the Company.
- Recommendation for issuance of any debt instruments.
- Scheme of reconstruction or restructuring.
- Any other significant business decision.
- Any other matter requiring the convening of a general meeting of shareholders or any class of shareholders.
- Any other matters as may be required by the laws or the governing authorities.
- Any other matters requiring the Board's approval under the Limits of Authority adopted by the Company.

## **TERMS OF REFERENCE OF EXECUTIVE COMMITTEE**

### **1. Objectives**

The EXCO's duty is to ensure that the Board's strategies and directions are executed effectively and efficiently. While the Board retains full and effective control over the affairs of the Group, which includes setting the framework and policies within which the Group should be operating, the EXCO shall be responsible for the compliance with laws and regulations and directives including the achievement of the Group's corporate objectives.

### **2. Memberships**

The EXCO shall be made up of the Group Managing Director, Executive Directors of the Company and Head of Business Unit.

Others may be invited by the Group Managing Director to attend all or part of any meeting.

The Group Managing Director shall act as Chair of the EXCO. In his absence, the EXCO shall appoint any one of the Executive Directors to act as Chair.

The Company Secretary or their nominee shall act as the secretary of the EXCO.

### **3. Authority**

The EXCO shall report directly to the Board and have power to direct and execute policies in accordance with the Board's direction. It shall oversee the operations of the Group but shall generally, not be involved in the day to day running of the business; and shall have powers to set operational controls in the furtherance of its objectives.

### **4. Duties**

The EXCO shall assist the Board on the following:-

- (a) Deliberation of the Group's strategic and tactical plans (including capital investments, business ventures and partnerships) and to recommend such plans to the Board for approval;
- (b) Ensuring that the performance and conduct of the Group's business are properly managed and are consistent with the framework and policies set by the Board, within which the Group should be reporting;

## APPENDIX B

- (c) Developing and ensuring an effective risk management function to manage the Group's principal risks;
- (d) Ensuring the adequacy and soundness of the Group's financial system, internal control system and management information system;
- (e) Ensure effective succession planning;
- (f) Reviewing the organisational structure of the group and making recommendations for change;
- (g) Identifying and executing new business opportunities outside the current core activities, including geographic diversification;
- (h) Examining all trade investments, divestments and major capital expenditure proposals and the recommendation to the group Board of those which, in a group context, are material either by nature or cost;
- (i) Approving all strategic or material alliances and partnership agreements;
- (j) Optimising the allocation and adequacy of the group's resources;
- (k) Developing of an investor relations and shareholder communication program;
- (l) Ensuring the active liaison, co-ordination and co-operation between business divisions; and
- (m) The discharge of any directive made by the Board.

### 5. Conduct of Meetings

- (a) EXCO member shall be deemed to be present in person at a meeting if he/she participates by telephone, audio or audio visual or such other electronic means and all members participating in the meeting are able to hear and/or see each other.
- (b) The notice of such meetings shall be given at least 7 days before the meetings unless such requirement is waived by the members present in the meeting.
- (c) The voting and proceedings of such meetings shall be on show of hands. The Chairman shall have a casting vote. All decision shall be subjected to the majority vote. An EXCO member shall abstain from any voting if he/she is directly involved in a particular matter under deliberation.
- (d) The secretary shall minute the proceedings and resolutions of all meetings of the EXCO, including recording the names of those present and in attendance.

## **APPENDIX B**

- (e) The minutes shall be kept by the secretarial department and shall be available for inspection during working hours at the request of the Directors and members.
- (f) Minutes of EXCO meetings shall be circulated promptly to all EXCO members and, once agreed, to all members of the Board.

### **6. Quorum**

The quorum necessary for the transaction of business shall be 5 members of whom at least one must be either the Group Managing Director or Executive Director of the Company. A duly convened meeting of the EXCO at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable, by the EXCO.

### **7. Frequency of Meetings**

The EXCO shall meet at least once in 2 months.

## TERMS OF REFERENCE OF RISK MANAGEMENT COMMITTEE

### 1. Objectives

The Risk Management Committee (“RMC”) is tasked to manage the risks that the Group face on a continual basis, so that the Group will be able to achieve its goals. It is entrusted to ensuring implementation of an effective risk management system and reviewing the adequacy and integrity of the Group's internal control and management information system.

The RMC is responsible for executing the Group's risk management policy parameters. The approach aligns strategy, processes and people with the purpose of evaluating and managing potential losses.

The Board shall however be ultimately responsible for the identification and the implementation of the appropriate systems to manage the Group's principal risks. The Board has empowered the Audit Committee via its terms of reference, to review on a semi-annual basis, the principal risks identified by Management and the methodology employed in the identification, analysis, monitoring and communication of risks in a regular and timely manner.

### 2. Memberships

All EXCO members shall be members of RMC. The RMC is headed by the Group Managing Director and supported by the Executive Directors.

The EXCO may appoint additional member to the RMC based on their experience, objectivity and knowledge and expertise.

Removal of a member of the RMC is also the prerogative of the EXCO.

### 3. Principal roles and responsibilities of the RMC

- create a high-level risk strategy policy aligned with the Company's strategic business objectives;
- to develop and implement an effective risk management system and reviewing the integrity of the Group's internal control and management information system;
- communicate board vision, strategy, policy, responsibilities, and reporting lines to all employees across the Group;
- identify and communicate to the Board the critical risks (present or potential) the Group faces, their changes, and the management action plans to manage the risks;

- perform risk oversight and review risk profiles (Company and the Group) and organisational performance;
- set performance measures for the Company and the Group (e.g., subsidiaries or business units);
- provide guidance to the business units on the Group's and business unit's risk appetite and capacity, and other criteria, which, when exceeded, trigger an obligation to report upward to the Board;
- establish and oversee implementation of business continuity/disaster recovery plan.
- significant risk issues evaluated by the RMC and/or major changes proposed by RMC will be reported to the Board through the EXCO; and
- to recommend, if necessary, the engagement of external professional advisors/experts to advise on risk management matters.

The RMC in turn is assisted by the Group's Risk Officer who acts as the coordinator.

The RMC is primarily responsible for review of the risk management process.

#### **4. Procedure of the Committee**

The members of the RMC may call for the committee meeting which they deem necessary.

The notice of such meeting shall be given at least seven (7) days before the meetings unless such requirement is waived by the members present in the meeting.

The voting and proceedings of such meeting shall be on show of hands. The Chairman shall have a casting vote.

Minutes shall be maintained by the secretarial department and be available for inspection during working hours at the request of the members.

#### **5. Quorum**

Two members shall be the quorum of the meeting.

#### **6. Frequency of meetings**

The RMC has been established at the Group level which shall meet at least four times a year.



## TERMS OF REFERENCE OF AUDIT COMMITTEE

The Audit Committee is governed by the following terms of reference:

### 1. Memberships

The Committee shall be appointed by the Board of Directors of the Company from amongst the Board and shall consist of not less than three (3) members, majority of which shall comprise of independent directors. At least one member must be a member of the Malaysian Institute of Accountants or eligible for membership.

In the event of any vacancy in an audit committee resulting in the non compliance with the above, the Board shall, within three (3) months of that event, fill the vacancy.

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Director.

The terms of office and performance of an audit committee and each of its members should be reviewed by the Board at least once a year.

### 2. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It shall have resources which are required to perform its duties. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. It shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Committee shall report to the Board.

The Audit Committee has the authority to investigate any matter within its terms of reference, at the cost of the Company and with the following:

- (a) the resources which are required to perform its duties;
- (b) full and unrestricted access to any information pertaining to the Company;

- (c) direct communication channels with the External Auditors and the Internal Auditors;
- (d) ability to obtain independent professional or other advice; and
- (e) ability to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the listed corporation, whenever deemed necessary.

The Internal Auditor shall report directly to the Committee and shall have direct access to the Chairman of the Committee on all matters of control and audit. All proposals by Management regarding the appointment, transfer and removal of the Internal Auditor of the Company shall require prior approval of the Committee. Any inappropriate restrictions on audit scope are to be reported to the Committee.

### 3. Functions of the Committee:

- (1) To review the quarterly and annual financial statements of the Company, before the approval of the Board of Directors, focusing particularly on:
  - (a) any significant changes to accounting policies and practices;
  - (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transaction and how these matters are addressed;**
  - (c) compliance with accounting standards and other legal requirements; and
  - (d) the going concern assumption.
- (2) To review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (3) To review, on an annual basis, the principal risks identified by Management and the methodology employed in the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner.
- (4) To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored.
- (5) To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures.
- (6) To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the organisation.

## APPENDIX D

- (7) To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the Company.

Specifically:

- (a) to review the internal audit plans and to be satisfied with their consistency with the results of the risk assessment made, the adequacy of coverage and the audit methodologies employed;
  - (b) to be satisfied that the internal audit function within the Company has the proper resources and authority to enable them to complete their mandates and approved audit plans;
  - (c) to review status reports from internal audit and ensure that appropriate action is taken on the recommendations of the internal audit function. To recommend any broader reviews deemed necessary as a consequence of the issues or concerns identified;
  - (d) to review the effectiveness of the Internal Auditor and to approve the reappointment, termination or replacement of the incumbent and the appointment of any other Internal Auditor;
  - (e) to ensure internal audit has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties; and
  - (f) to request and review any special audit which it deems necessary.
- (8) To review with the External Auditors the nature and scope of their audit plan, their evaluation of the system of internal controls and report.
- (9) To evaluate the suitability/performance of the external auditors and recommend their appointment or reappointment, to review matters concerning resignation or dismissal of the External Auditors prior to recommendation to the Board.
- (10) To review and evaluate factors related to the independence of the External Auditors and assist them in preserving their independence.
- (11) To review and approve the scope of engagement of External Auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their independence and objectivity as External Auditors are not deemed to be compromised.
- (12) To review with the External Auditors their audit reports on the Group's annual financial statement and other findings arising from audits, particularly any comments and recommendations for improvements in internal controls or financial reporting process as well as the assistance given by the employees of the Group.
- (13) To recommend to the Board steps to improve the system of internal control derived from the findings of the Internal and External Auditors and from the consultations of the Audit Committee itself.

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- (14) To prepare the annual Audit Committee Report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report.
- (15) To review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the annual report.

### 4. Attendance at Meetings

The Company must ensure that other Directors and employees attending any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting. However, at least twice a year the Committee shall meet with external auditors excluding the attendance of other Directors and employees of the listed corporation, whenever deemed necessary.

The Company Secretary shall be the secretary of the Committee.

### 5. Procedure of the committee:

- (a) The internal and external auditors and members of the Committee may call for the Audit Committee meeting which they deem necessary.
- (b) The notice of such meeting shall be given at least 7 days before the meetings unless such requirement is waived by the members present in the meeting.
- (c) The voting and proceedings of such meetings shall be on show of hands. The Chairman shall have a casting vote.
- (d) The minutes shall be kept by the secretarial department and shall be available for inspection during working hours at the request of the Directors and members.
- (e) The Committee shall cause minutes to be duly entered in books provided for the following purpose:-
  - (i) of all appointments of member
  - (ii) of the names of members and invitees such as others Director, and employees present at all meetings of the Committee;
  - (iii) of all actions, resolutions and proceedings at all meetings of committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting in which case the minutes shall be confirmed as correct by a member or members present at the succeeding meeting who was or were also present at the preceding meeting. Such minutes shall be conclusive evidence without further proof of the facts thereon stated; and
  - (iv) of all other orders made by the members of the Committee.

## APPENDIX D

### 6. **Quorum**

A majority of members present must be Independent Directors and shall form the quorum of the Committee.

### 7. **Frequency of Meetings**

Meetings shall be held at least every quarter in a calendar year. The external auditor may request a meeting if they consider one necessary.

## TERMS OF REFERENCE OF NOMINATING COMMITTEE

### 1. Objectives

The Nominating Committee (“the Committee”) is delegated by the Board of Directors to identify and recommend to the latter, orientate new Directors. The Committee is also charged to assess the effectiveness of the Board (and the Board Committees) as a whole and the incumbent Directors, including the Independent Non-Executive Directors.

### 2. Memberships

The Nominating Committee shall be appointed by the Board of Directors of the Company from amongst the Board and composed exclusively of Non-Executive Directors, a majority of whom are independent. The Committee shall be chaired by an Independent Non-Executive Director. Appointment of a member of the Committee is the prerogative of the Board, after having considered his integrity and objectivity.

Removal of a member of the Committee is also the prerogative of the Board.

In the event of any vacancy resulting in the non compliance with the above, the Board shall within three (3) months of that event, fill the vacancy.

The Chairman of Nominating Committee shall be appointed by the Board.

The terms of office for the Nominating Committee should be reviewed by the Board of Directors at least once every three (3) years.

The Company Secretary shall be the Secretary of the Committee.

### 3. Authority

The Committee is authorized by the Board to propose new nominees for the Board and to assess the Directors on an on-going basis. The actual decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations of such a committee.

Propose a Senior Independent Non-Executive Director among the directors to whom concerns may be conveyed.

**4. Functions of the Committee**

- (a) To establish a formal and transparent procedure for appointment of new Directors to the Board and for assessment of the Directors on an on-going basis.
- (b) To identify and recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board, based on their skills, knowledge and experience, professionalism and integrity. In the case of Independent Non-Executive Directors, the Committee shall evaluate the candidate's ability to discharge such responsibilities as expected from Independent Non-Executive Directors.
- (c) Consider, in making its recommendations, candidates for directorships proposed by the Group Managing Director and, within the bounds of practicability, by any other senior executive and any director or shareholder.
- (d) To develop an effective development and succession plan for Directors and key Management personnel of the Group and to recommend to the Board, potential Directors to fill the seats on Board Committees.
- (e) To annually review its required mix of skills and experience and other qualities, including core competencies which are expected from Non-Executive Directors.
- (f) Recommend a continuous education program for Board members to enhance their effectiveness.
- (g) To assess annually the effectiveness of the Board as a whole, the Board Committees in light of the Company's needs, the operating environment and the contribution of each individual director, including character, experience, competency, integrity and time commitment.
- (h) Recommend a job description for all Executive Directors and the Chairman of the Company, and ensure that there is a clearly accepted division of responsibilities, a balance of power and authority and no one individual has unfettered powers of decision.

**5. Procedure of the Committee**

The members of the Nominating Committee may call for the committee meeting which they deem necessary.

The notice of such meeting shall be given at least seven (7) days before the meetings unless such requirement is waived by the members present in the meeting.

## **APPENDIX E**

The voting and proceedings of such meeting shall be on show of hands. The Chairman shall have a casting vote.

Minutes shall be maintained by the secretarial department and be available for inspection during working hours at the request of the members.

### **6. Quorum**

Two (2) members shall be the quorum of the meeting.

### **7. Frequency of Meetings**

The Nominating Committee shall meet at least two (2) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.



## TERMS OF REFERENCE OF REMUNERATION COMMITTEE

### 1. Objectives

The Remuneration Committee's (the "Committee") primary responsibility is to recommend a remuneration framework and terms of employment for all Executive Directors ("EDs") and key Management personnel of QL and its subsidiaries (the "Group"), for the Board's approval.

The framework shall:

- (a) Support the Group's strategies and long term vision; and
- (b) Provide the motivational incentives to EDs, taking into consideration factors such as best practices, stakeholders' view and the market at large and the performance of the individual.

### 2. Memberships

The Committee shall be appointed by the Board of Directors of the Company from amongst the Board and shall consist of wholly or mainly of Non-Executive Directors. Appointment of a member of the Committee is the prerogative of the Board, after having considered his integrity and objectivity.

Removal of a member of the Committee is also the prerogative of the Board.

In the event of any vacancy resulting in the non compliance with the above, the Board shall within three (3) months of that event, fill the vacancy.

The Chairman of Remuneration Committee shall be appointed by the Board.

The terms of office for the Remuneration Committee should be reviewed by the Board of Directors at least once every three (3) years.

The Company Secretary shall be the Secretary of the Committee.

### 3. Authority

The Committee is authorized by the Board to recommend to the Board the remuneration of each of the Directors and obtain outside independent professional advice as necessary.

The individual directors should play no part in decisions on their own remuneration.

**4. Functions of the Committee**

- (a) Formulate or review the remuneration policies, basis and remuneration for all Directors of the Group.
- (b) To establish a formal and transparent procedures for developing policy on executive remuneration.
- (c) To recommend to the Board, the remuneration of each Director in all its forms, drawing from outside advice as necessary.
- (d) Work together the Nomination Committee and the Board of Directors to develop an effective development and succession plan for Directors and key Management personnel of the Group.
- (e) The Committee in its recommendation to the Board shall take into account that the component parts of remuneration should be structured so as to link rewards to corporate and individual performance and contribution to the success of the Company in the case of Executive Directors; and that in the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular Non-Executive Director.

**5. Procedure of the Committee**

The members of the Remuneration Committee may call for the Committee meeting which they deem necessary.

The notice of such meeting shall be given at least seven (7) days before the meetings unless such requirement is waived by the members present in the meeting.

The voting and proceedings of such meeting shall be on show of hands. The Chairman shall have a casting vote.

Minutes shall be maintained by the Secretarial Department and be available for inspection during working hours at the request of the members.

**6. Quorum**

Two (2) members shall be the quorum of the meeting.

**7. Frequency of Meetings**

The Remuneration Committee shall meet at least two (2) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

**PROCEDURES ON ACCESS OF INFORMATION****A. INFORMATION SEEKING PROTOCOL**

Directors will adhere to the following protocol when seeking information:

- Approach the GMD or Company Secretary to request the required data;
- If the data is not forthcoming, approach the Chairman; and
- If the information is still not forthcoming, write a letter to all Board members and the GMD detailing the information that is required, purpose of information, and who the director intends to approach in order to obtain the information.

**B. INSPECTION OF MINUTES AND OTHER DOCUMENTATION**

- Requisition to inspect minutes or other documents/records must be made in written form and be submitted to the Company Secretary at least three (3) working days from the date of inspection.
- Each requisition must state clearly the type of documents, date of publication and purpose of inspection.
- Inspection must be done within the office premise and no extraction of documents in its physical form is allowed out of office premise.
- Photocopying of the minutes is allowed upon request.
- The Company Secretary or their nominee will notify the Director once the said documents or records are ready for inspection.
- Any changes to the date of inspection must be notified within twenty four (24) hours prior to the date of inspection.

**C. ACCESS TO PROFESSIONAL ADVICE**

- A Director of the Company is expected to exercise considered and independent judgment on the matters before them. To discharge this expectation, a Director may from time to time need to seek independent, expert opinion on matters before them.
- Prior to seeking professional advice a Director shall inform the Chairman about the nature of the opinion or information sought, the reason for the advice, the terms of reference for the advice and the estimated cost of the advice and obtain the approval of the Chairman.
- If the Chairman is seeking the advice, he will need to seek the approval of the Board. Where more than one (1) Director is seeking advice about a single issue, the Chairman shall endeavour to coordinate the provision of the advice.

**D. OFFICE ADDRESS AND OPERATING HOURS**

QL Resources Berhad  
No. 16A, Jalan Astaka U8/83, Bukit Jelutong  
40150 Shah Alam, Selangor Darul Ehsan  
General Line: 03-7801 2288

Office hours : 8.15 a.m. to 6.00 p.m. (Monday to Thursday)  
                  : 8.15 a.m. to 5.30 p.m. (Friday)

Lunch hours : 12.30 p.m. to 1.45 p.m.