

HWA TAI INDUSTRIES BERHAD

BOARD CHARTER

PURPOSE OF THE BOARD CHARTER

The Board Charter sets out the roles, responsibilities and functions of the Board of Directors of Hwa Tai Industries Berhad (“the Board”), with the objective to ensure that an effective corporate governance structure operates in Hwa Tai Industries Berhad (“the Company”) that will achieve the Company’s strategic aims as follows:-

1. Financial Strategic Aim
 - Increase revenue
 - Manage cost effectively
2. Consumer / Customer Strategic Aim
 - Healthy & quality products
 - Best value products
3. Operational Strategic Aim
 - Increase productivity
 - Innovative R&D (Research & Development)
4. People Strategic Aim
 - Build high performance team
 - Align staff reward with performance

The Board shall periodically review the Board Charter to ensure it remains consistent with the Board’s objective.

The Board Charter is made public and published in the Company’s website.

ROLES, RESPONSIBILITIES AND FUNCTIONS OF THE BOARD

In addition to the matters which are expressly required by law, the Board has the following roles, responsibilities and functions:-

1. Approving Company strategies, budgets, plans and policies, and monitoring the performance of the management against these strategies, budgets, plans and policies, as well as the continuing suitability of the same.
2. Approving systems of risk management and internal control, internal audit function which reports directly to the Audit Committee, codes of conduct and legal compliance, and monitoring and ensuring these systems are operated by management effectively.
3. Ensuring all candidates appointed to senior management positions are of sufficient calibre and programmes are in place to provide for an orderly succession of senior management.

Continuation....

HWA TAI INDUSTRIES BERHAD – BOARD CHARTER

4. Approving the management’s recommendations on capital management, the issuance of any shares, options, equity instruments, loan instruments and other securities in the Company.
5. Approving the management’s recommendations on major capital expenditure and significant acquisitions and divestments.
6. Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making.
7. Considering the social, ethical, economic and environmental impact of the Company’s activities and monitoring compliance with the Company’s sustainability policies and practices.
8. Approving policies regarding disclosures and communications with the Company’s shareholders and the market, which comply with disclosure requirements of the stock exchanges and other regulators.
9. Reviewing the state of financial health of the Company and approving its annual, half yearly and quarterly financial statements.

The roles, responsibilities and functions listed above are specifically reserved for the Board and do not limit the Board’s overall roles, responsibilities and functions.

Each individual member of the Board is expected to contribute in their respective areas of expertise to facilitate the strategic aims of the Company.

DIVISION OF RESPONSIBILITIES AND POWERS

1. The roles, responsibilities and functions of the Board and management shall be separated. The Board shall delegate to the group chief executive director (“GCED”) / chief executive officer (“CEO”) the authority and power to manage the Company and its business within levels of authority specified by the Board from time to time. The GCED / CEO may delegate aspects of his or her authority and power to the management but remains accountable to the Board for the Company’s performance and is required to report regularly to the Board on the progress being made by the Company’s business units.
2. The position of the Chairman and GCED / CEO shall be held by different individuals, and the Chairman, where practical, shall be a non-executive member of the Board, to promote accountability and facilitate division of responsibilities between them. The responsibilities of the Chairman should include leading the Board in the oversight of the management, while the GCED / CEO focuses on the business and day-to-day management of the Company.
3. The Board may delegate certain matters to a committee of the Board specifically appointed for the relevant purpose. All Board committee report to the Board.

COMPOSITION OF THE BOARD

1. The composition of the Board must comply with the relevant regulations and comprise an appropriate mix of skills, experience and expertise to facilitate successful strategic direction of the Company.
2. At least half the Board must comprise independent directors.
3. Where the Chairman of the Board is not an independent director, the Board must then comprise a majority of independent directors to ensure balance of power and authority in the Board.
4. The directors must declare immediately to the Board any potential or active conflict of interest and abstain from participating in the decision making process.

CHAIRMAN OF THE BOARD

The Chairman leads the Board to ensure the Board operates its roles, responsibilities and functions efficiently and presides over board meetings to ensure they are conducted effectively.

BOARD COMMITTEES

1. The Board shall operate four (4) committees with their respective purpose as follows:-
 - a. **Audit Committee – To provide transparent, focus and independent judgement in overseeing the financial reporting process.**
 - The Audit Committee shall have at least three (3) members, all of whom shall be independent directors.
 - At least one (1) member of the Audit Committee:
 - Must be a member of the Malaysian Institute of Accountants; or
 - If he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - * He must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - * He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - Fulfils such other requirements as prescribed or approved by Bursa Malaysia.
 - b. **Nomination Committee – To assess candidates for Board appointments and perform annual review of Board members.**
 - The Nomination Committee shall have at least three (3) members, all of whom shall be non-executive directors with the majority being independent directors.

Continuation....

HWA TAI INDUSTRIES BERHAD – BOARD CHARTER

c. Remuneration Committee – To review and recommend matters relating to the remuneration of the Board.

- The Remuneration Committee shall have at least three (3) members, all of whom shall be non-executive directors with the majority being independent directors.

d. Risk Management Committee – To oversee the Company’s risk management framework and policies.

- The Risk Management Committee shall have at least three (3) members, a majority of whom shall be independent directors.

2. The minutes of each committee meeting shall be provided to the Board.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

1. A Nomination Committee shall be specifically appointed to advise the Board on the nomination of new members of the Board and its committees. The Nomination Committee shall annually assess the contributions of individual members of the Board and its committees, the effectiveness of the Board and its committees and also the independence of the independent directors.
2. In appointing new members of the Board, consideration is given to various criteria including qualities, experience, skills, level of commitment and time that the candidate can contribute and also the composition and mix skills of the existing Board. In addition, women candidates will be sought as part of the recruitment exercise.

In order to promote the specific objective of gender diversity, the selection process for Board appointments shall involve the following steps:-

- A short-list identifying potential candidates for Board appointment shall include at least one (1) female candidate; and
 - If at the end of the selection process, a female candidate is not selected, the Board shall be satisfied that there are objective reasons to support its decision.
3. In accordance to the Company’s Articles of Association (the Company’s constitution), an election of directors shall take place each year at an annual general meeting and all directors shall retire from office once at least in every 3 years. Directors appointed by the Board are subject to retirement at the next annual general meeting held following their appointments in accordance with the Company’s Articles of Association (the Company’s constitution). All retiring directors are eligible for re-election.

Continuation....

HWA TAI INDUSTRIES BERHAD – BOARD CHARTER

4. The tenure of an independent director shall not exceed a cumulative term of nine (9) years (either a consecutive service of 9 years or a cumulative service of 9 years with intervals).

An independent director who has served the Company for 9 years may, in the interest of the Company, continue to serve the Company but in the capacity of a non-independent director. The Board must justify and seek annual shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than 9 years.

If the Board continues to retain an independent director after the 12th year, the Board should seek annual shareholders' approval through a 2-tier voting process as defined in the Malaysian Code on Corporate Governance.

5. A Remuneration Committee shall be specifically appointed to make recommendations to the Board on the remuneration package and benefits to be accorded to directors and to review such remuneration annually.
6. The remuneration package will be structured according to the skills, experience and performance of the executive directors to ensure the Company attracts and retains the directors needed to run the Company successfully, whereas the remuneration package for the non-executive directors will hinge on their contribution to the Company in terms of their knowledge and experience.

MEETINGS OF THE BOARD

1. The Board will schedule formal Board meetings at least quarterly and hold additional meetings as may be required.
2. In accordance to the Company's Articles of Association (the Company's constitution), three (3) directors present shall form a quorum at Board meetings.
3. A Board report is prepared prior to the Board meeting and sufficient notice is given to the directors to review the papers and agenda for the meeting. Generally, the Board papers provide information on the operating results, financial, corporate development, minutes of Board Committees and acquisitions and disposals proposals, if any.
4. If necessary, the Audit Committee shall meet with the external auditors without any executive members of the Board and management present.

Continuation....

HWA TAI INDUSTRIES BERHAD – BOARD CHARTER

ACCESS TO ADVICE

1. To enable the directors to discharge their duties, all members, either as full Board or in their individual capacities, will have access to all information of the Company. In the course of its duties, the Board should be able to consult advisers including independent professional advisers at the Company's expense, when necessary.
2. Directors are also free to seek independent advice should the need arise and have direct access to the advice and services of the company secretary. Therefore, the Board should appoint a suitably qualified and competent company secretary who can support the Board.

DIRECTORS' TRAINING

1. All newly appointed directors must attend the Mandatory Accreditation Programme as required by the relevant authorities.
2. The Board shall ensure its members have access to appropriate continuing education programmes to update their knowledge and enhance their skills so as to sustain their active participation in Board deliberations.

This Board Charter was reviewed and approved by the Board on 23 June 2018