



## **1. OVERVIEW**

The Board of Directors (“the Board”) of Sarawak Oil Palms Berhad Group of Companies (“SOPB”) is fully committed to ensure that SOPB has good corporate governance practices aimed at creating and protecting shareholders value and promoting sustainability. The Board is also responsible for ensuring that SOPB management recognizes the Company's legal duties/responsibilities and other obligations to shareholders and other stakeholders.

## **2. OBJECTIVES**

The objective of Board Charter is to set out the composition, roles, responsibilities, functions and operations of the Board to ensure all the Board Members of SOPB are aware of their duties and responsibility to discharge them in the best interest of the shareholders. The Board will collectively have sound and sufficient knowledge and expertise to enable effective governance. The Board Charter also acts as a source of reference to the prospective Board Members and Management.

## **3. BOARD MEMBERSHIP**

### ***3.1 Composition***

The Board consists of qualified individuals with different backgrounds and specialisations, collectively bringing considerable knowledge, judgement and experience to the Board. The size of the Board is dictated by The Company's Articles of Association (“The Article”) which permits a minimum of two (2) Directors and a maximum of ten (10) Directors. At any one time, at least two (2) or one – third (1/3), whichever is higher, of Board Members must comprise of Independent Directors. The Independent Directors provide independent judgement, experience and objectivity without conflict of interest in the Board. The Independent Directors help to ensure that the interests of all shareholders are indeed taken into account by the Board and any other relevant issues arise are subject to an impartial consideration by the Board.

On Boardroom diversity, the Board in general is supportive on the gender boardroom diversity recommended by the Malaysian Code of Corporate Governance<sup>1</sup> (“MCCG”). The Board through the Nomination Committee will review the Board Members composition during the annual assessment of the Directors' performance taking into consideration the appropriate skills, experience and characteristics required of the Board Members, in the context of the needs for SOPB.

The composition and size of the Board will be reviewed on regular basis to ensure its appropriateness.

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<sup>1</sup> The latest Malaysian Code of Governance published by the Securities Commission, at the time of this Board Charter submission, came into effect on 26 April 2017.



### **3. BOARD MEMBERSHIP (Continued)**

#### **3.2 *Appointments and Re-election***

The Board considers the appointment of new Director upon the recommendation from the Nomination Committee. In making these recommendations, the Nomination Committee will assess the suitability of candidates by taking into account the required knowledge, professionalism, expertise and experience, integrity, competency and other qualities, which the Director would bring to the Board. In accordance to the MCCG, Directors are required to notify the Chairman before accepting any new Directorship and to indicate the time expected to be spent on the new appointment.

#### **3.3 *Term of Appointment***

The Articles provide that at least one-third (1/3) of the Board is subject to retirement by rotation at each Annual General meeting ("AGM"). The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. These provide an opportunity for the shareholders to renew their mandates. The election of each Director is voted separately.

Any new Director who is appointed by the Board shall be subject to election by the shareholders in the ensuing AGM immediately after the retirement of the Director. The tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director being re-designated as Non-Independent Director. However, the Board may at its discretion after evaluating the performance of the Independent Director who exceeded a cumulative term of nine (9) years, shall seek the shareholders' approval at the AGM to retain the Director as an Independent Director.

#### **3.4 *Independence of Directors***

The Board must annually assess the independence of each Independent Director in light of the interests they have disclosed. The assessment also takes into consideration the criteria laid out in the Bursa Malaysia Securities Berhad main market Listing Requirement's ("Bursa Securities") and such other factors as the Board determines appropriate to take into account in determining whether the Director is independent of management and free of any business or other relationship that could materially interfere or perceived with the exercise of their unfettered and independent judgement.



## **4. ROLE OF THE BOARD**

### ***4.1 Duties and Responsibilities***

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

- a. Review, adopt and monitor the overall strategic business plan and direction of SOPB;
- b. Oversee the conduct of SOPB's business to evaluate whether the business is properly managed;
- c. Identify principal risks and ensuring the implementation of appropriate systems to manage these risks;
- d. Exercise independent judgement in decision making;
- e. Review the adequacy and integrity of the management information and internal control systems; and
- f. Ensure full compliance and to carry out the duties of the Board in accordance with the relevant provisions of the Bursa Securities and all other applicable laws, regulations and guidelines.

### ***4.2 Matters Reserved for the Board***

- a. Responsibilities for the overall direction of the Group;
- b. Approval of the Group corporate strategy and objectives;
- c. Approval of annual budgets, including major capital projects, investments;
- d. Approval of new business portfolio or ventures;
- e. Approval of material acquisitions and disposals of undertakings and properties;
- f. Appointment of all other Board members, Board Committee members, Chief Executive Officers and the Company Secretaries; and
- g. Any other matters which are required to be approved by the Board pursuant to the applicable rules, laws and regulations

## **5. GROUP EXECUTIVE CHAIRMAN**

The Group Executive Chairman, who is an Executive Director of the Board is primarily responsible for the orderly conduct and function of the Board. The board is mindful that the role of Executive Director as Chairman of SOPB is not in compliance with best practice. Taking into consideration the fact that Tan Sri Datuk Ling Chiong Ho and its related parties are the substantial shareholders, there is an advantage of shareholder's leadership and a natural alignment of interests. In respect of potential conflicts of interest, the Board is comfortable that there is no undue risk involved as all related party transactions are disclosed and strictly dealt with in accordance with the Bursa Securities. In addition, the presence of Independent Directors with distinguished records and credentials ensures that there is independence of judgement.

The responsibilities of the Group Executive Chairman are as follows:

- a. Develop and approve business objectives, key operational strategies, major investments to ensure the long term stability of the business;
- b. Review the operational performance and strategic direction to promote high standards of business conduct;
- c. Leadership of the Board
- d. Ensure the efficient organisation and conduct of the Board's function and meetings;
- e. Facilitate and encourage the effective contribution of all Directors at Board meetings;



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- f. Promotion of constructive and respectful relations between the Board members and management; and
- g. Ensure effective communication with shareholders and stakeholders.

### **6. INDEPENDENT NON-EXECUTIVE DIRECTOR**

The Independent Non-Executive Director is not a member of the management and is free of any relationships or have no direct or indirect interest which could interfere in the exercise of independent judgement or the ability to act in the best interest of SOPB. With the skills and experience, Independent Non-Executive Director contributes independent views, advices and recommends on areas relating to policy, strategy, business performance, risk management, internal controls including corporate governance.

### **7. GROUP CHIEF EXECUTIVE OFFICER**

The position of the Group Chief Executive Officer in essence is to ensure the effective implementation of SOPB's business plan and policies established by the Board as well as to manage the daily conduct of the business and affairs to ensure its smooth operation.

The responsibilities of the Group Chief Executive Officer are as follows:

- a. Ensure and oversee the efficiency and effectiveness on the operation of SOPB;
- b. Ensure that the financial management practice is performed at the highest level of integrity and transparency;
- c. Implement policies and strategies adopted by the Board with the aim to achieve corporate objectives;
- d. Explore any new business opportunities which brings potential benefit to SOPB;
- e. Ensure that every business and corporate affairs of SOPB are carried out in an ethical manner and in compliance with the relevant laws and regulations; and
- f. Keeping the Board fully informed of all important aspects of the SOPB's operations.

### **8. COMPANY SECRETARY**

The specific responsibilities of the Company Secretary are as follows:

- a. Attend Board, Committees and general meetings and ensure that the meetings are properly convened and proceedings are properly recorded;
- b. Ensure communication of Board decisions to management;
- c. Ensure that all appointments to the Board and Committees are properly made;
- d. Ensure compliance of listing and statutory obligations, and obligations arising from any regulatory requirements are met;
- e. Support the Board in ensuring adherence to Board policies and procedures; and
- f. Facilitate the provision of information as requested by the Directors.



## **9. BOARD COMMITTEES**

The Board will establish Committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates functions to the following Committees to assist in the execution of its responsibilities.

### **9.1 *Audit/Risk Committee***

The Group Audit and Risk Management Committee shall comprise not less than three members and must be Non–Executive Directors, with a majority of them being Independent Directors. All members should financially be literate and at least one member of the Committee must be a member of Malaysian Institute of Accountants (“MIA”). The Chairman who shall be elected by the members of the Committee must be an Independent Non–Executive Director and any vacancy in the Committee resulting in non-compliance of the said requirements must be filled within three (3) months.

### **9.1 *Audit/Risk Committee (Continued)***

The Group Audit and Risk Management Committee shall:-

- a. Provide independent oversight to the Board in fulfilling its fiduciary responsibilities relating to the management of financial risk processes, corporate accounting and reporting practices of SOPB;
- b. Review and monitor risk management within SOPB to ensure that an adequate system is effectively implemented to safeguard its assets and operation;
- c. Prepare reports, if the circumstances arise at least once (1) a year, to the Board summarizing the work in fulfilling the Committee's primary responsibilities;
- d. Act upon the Board's request to direct, where appropriate, supervise any special projects or investigation considered necessary and review investigation reports on any major issues or concerns with regard to the management of SOPB;
- e. Maintain a direct line of communication between the Board and the external and internal auditors; and
- f. Any other activities, as authorized by the Board.

### **9.2 *Nomination Committee***

The Nomination Committee shall comprise not less than three members and must be Non–Executive Directors, with a majority of them being Independent Directors. The committee, among others, is responsible for recommending the right candidate with the necessary skills, knowledge, expertise and experience including his/her professionalism and integrity to fill in the Board. The Committee is also responsible to assess the effectiveness of the Board, its Committee and the performance of each individual Director annually.

### **9.3 *Remuneration Committee***

The Remuneration Committee is responsible for recommending the remuneration framework for Directors as well as the remuneration package of Executive Director to the Board for approval annually.



## **9. BOARD COMMITTEES (Continued)**

### **9.4 Employee Share Options Scheme (“ESOS”) Committee**

The EOS Committee was established to oversee the allocation of ESOS Options and its administration to ensure full compliance at all times with the By-Laws.

### **9.5 Investment Committee**

The Investment Committee is responsible for evaluating, assessing, reviewing and recommending to the Board any proposed corporate exercise. The investment committee also appoints professional advisors, consultants, valuers, negotiators or to undertakes any other necessary duties for the proposed corporate exercise.

## **10. BOARD MEETINGS**

The Board shall conduct at least four (4) scheduled meetings annually with additional meetings to be convened as and when necessary. The Group Executive Chairman and Group Chief Executive Officer leads the meeting with an established procedures concerning the content, presentation and timely delivery of papers for each Board paper to ensure Directors are well informed and have the opportunity to seek additional information, and are able to obtain further clarification, should such a need arose. In arriving at any decision on recommendation by the Management, thorough deliberation and discussion by the Board is a prerequisite.

The Board meetings shall consist of:

### **10.1 Agenda**

The Group Executive Chairman must ensure that an agenda is carefully prepared prior to the Board meeting, raising issues that require attention, ensuring that proceedings are conducted efficiently and all appropriate matters are addressed accordingly to enhance the Board's productivity and strengthen its strategic and supervisory role.

### **10.2 Documents**

Information and materials, duly endorsed by the Group Chief Executive Officer and the relevant group functional heads, that are important to the Board's understanding of the agenda items and related topics are distributed in advance of the meeting.

### **10.3 Meetings**

The Board shall meet at least four (4) scheduled meetings annually and the Group Executive Chairman, if present, shall preside at all meetings of the Board. If the Group Executive Chairman is absent, the members present at the meetings, shall elect chairman of the meeting. The Company Secretary shall be in attendance and a record of the proceedings shall be kept. The meetings of the Board Committee are similarly guided by their respective terms of reference.

### **10.4 Management of the Meetings**



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Appropriate members of the Management may be invited to participate and/or make presentations at meetings to allow Directors to gain additional understanding and insight into the Company's business.

### **10. BOARD MEETINGS (Continued)**

#### ***10.5 Minutes of Committee Meetings***

Minutes of the Committee meetings will be provided to all Directors at the next Board meeting following the Committee meetings. The Directors are invited to seek clarifications of the issues raised in the Committee meeting.

### **11. FINANCIAL REPORTING**

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of result to shareholders.

### **12. RISK MANAGEMENT AND INTERNAL CONTROLS**

The Board recognize the importance of risk management approach in ensuring the business of SOPB will able to fully capitalize on any opportunities available as well as mitigating any potential threat for a better and improved operational effectiveness. The Board has established an approach for identifying, evaluating, monitoring and managing every principal risk to secure an achievement of the objective related to the business and operation.

SOPB has internal audit function, which critically reviews all aspects of activities and compliance on the systems of internal control. Comprehensive audits of practices, procedures, expenditure and internal controls of all business and units and subsidiaries are undertaken on a regular basis. In order to effectively discharge its responsibilities with an independent audit point of view, unrestricted access to all records, properties, and functions as well as the cooperation from Management and staff are necessary.

### **13. DIRECTORS' REMUNERATION**

The policy practiced by SOPB assisted by the Remuneration Committee aims to set remuneration package necessary to attract, motivate and retain Directors needed to run the company successfully, taking into consideration the function, workload and responsibilities. Where applicable, the Board also takes into consideration information provided by independent consultants or survey data on comparable companies in determining the remuneration package.

### **14. ACCESS TO INFORMATION AND INDEPENDENCE ADVICE**

In regards on ensuring the meaningful decisions being made, the Directors have complete and unrestricted access on information relating to SOPB's businesses and affairs, whether collectively as a Board or in their individual capacity by having rights on liberty to seek external and independent professional advice, if so required by them, in furtherance of their duties at SOPB's expense.



## **15. WHISTLE-BLOWING AND PROCEDURES**

The purpose of the Whistle-Blowing Policy is to provide an avenue and to encourage all Directors, employees and members of the public to raise concerns and disclose any improper conduct within SOPB in an appropriate way with the procedures provided under this policy without fear of retaliation and to offer protection for whistle blowers. At the same time, it will enable SOPB to intervene and investigate any concerns relating to improper conduct through internal channel.

Such improper conduct would include the following:

- a. Corruption;
- b. Criminal Offense;
- c. Sexual harassment;
- d. Actual or suspected fraud;
- e. Misappropriation of monies;
- f. Abuse of power and position;
- g. Improprieties in matters of financial reporting;
- h. Unauthorized or misuse of company's properties;
- i. Endangerment of an individual's health and safety;
- j. Deception of facts or information with intention to mislead;
- k. Disclosure of confidential information without prior approval;
- l. Any action which intimidate or coerce a Director or Management or employee of SOPB; or
- m. Concealment on any of the above or combination of the above.

## **16. DIRECTORS' TRAINING AND DEVELOPMENT**

Continuous training for the Directors is important to enable the Directors to effectively discharge their duties. In this respect, the Nomination Committee will evaluate and determine the training needs on a continuous basis to ensure that the Directors are acquainted with the latest development and changing environment within which SOPB operates. All Directors are encouraged to attend various programmes to keep abreast with developments in the business environment.

## **17. INVESTORS RELATION AND SHAREHOLDER COMMUNICATIONS**

The Board will maintain an effective communications policy that enables both the Board and Management to communicate effectively with its shareholder, stakeholders, and the general public. It is the role of the Board to ensure that the AGM and Extraordinary General Meeting ("EGM") of SOPB serves as an important mechanism in shareholder communications and conducted in an efficient manner

Besides, there are various channels where shareholders could have an access to SOPB's corporate & financial information, share prices and principal activities such as quarterly announcements on financial results to Bursa Malaysia Securities Berhad, SOPB website [www.sopb.com.my](http://www.sopb.com.my) and any other relevant announcements and circulars.

## **18. REVIEW OF THE BOARD CHARTER**





**BOARD CHARTER**

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The Board Charter has been adopted by the Board on (Placeholder for BOD date). Any subsequent amendment to the Charter can only be approved by the Board. The Board Charter will periodically be reviewed and updated.