



PHARMANIAGA BERHAD
(467709-M)

BOARD CHARTER

(as at 16 August 2019)

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PHARMANIAGA BERHAD BOARD CHARTER

1. INTRODUCTION

The Board of Directors of Pharmaniaga Berhad regard Corporate Governance as vitally important to the success of Pharmaniaga's business and are unreservedly committed to applying the principles necessary to ensure that the following principles of good governance is practised in all of its business dealings in respect of its shareholders and relevant stakeholders:

- The Board is the focal point of the Company's Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the Company.
- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible to the Company for achieving a high level of good governance.
- This Board Charter shall constitute, and form, an integral part of each Director's duties and responsibilities.

2. OBJECTIVE

The objective of this Board Charter is to ensure that all Board members acting on behalf of the Company are aware of their legal and fiduciary duties and responsibilities as Directors. The Board shall adopt principles of good corporate governance and practices, that accord with applicable laws. This Board Charter shall serve as primary reference for Directors in executing their responsibilities.

3. THE BOARD

3.1 Role

- 3.1.1 The Board assumes the duty of leading and managing the Company in an effective and responsible manner. Each Director takes on the legal and fiduciary duties to act in the best interest of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.
- 3.1.2 The Board understands that the responsibility for good Corporate Governance rests with the Board and therefore strives to follow the principles and best practices. The Board shall disclose the application of the principles and practices of Corporate Governance pursuant to the MMLR.
- 3.1.3 The Board ensures that the Company complies with the relevant laws and guidelines at all times.
- 3.1.4 The Board meets in person at least once every quarter to facilitate the discharge of their responsibilities.
- 3.1.5 The Board shall assume the following duties:
- a) promoting good Corporate Governance culture within the Company which reinforces ethical, prudent and professional behaviour;
 - b) reviewing and deciding on management's proposals for the Company, and monitoring its implementation by management;
 - c) ensuring that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
 - d) supervising and assessing management performance to determine whether the business is being properly managed;
 - e) ensuring there is a sound framework for internal controls and risk management;
 - f) understanding the principal risks of the Company's business and recognising that business decisions involve the taking of appropriate risks;
 - g) ensuring that there is an appropriate risk management framework in place, for management to identify, manage and monitor significant financial and non-financial risks;
 - h) ensuring that Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and Senior Management;
 - i) ensuring that the Company has in place procedures to enable effective communication with stakeholders; and
 - j) ensuring the integrity of the Company's financial and non-financial reporting.
- 3.1.6 Each Director is expected:
- a) to exercise due care, skill and diligence;
 - b) to act in good faith in the best interest of the Company;
 - c) to avoid conflict of interest situation and not improperly use the position as Director or misuse information of the Company.
 - d) to exercise independent judgment in decision making;
 - e) to contribute actively to the functions of the Board and be able to provide sound and objective advice; and
 - f) to devote adequate time and attention to discharge his duties and responsibilities effectively.

3.1.7 New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Company. In any given circumstances, the Board of Directors of the Company is expected to serve in no more than 5 and 10 directorships in public listed and private companies respectively.

3.1.8 The Board collectively or individually, may seek independent professional advice in furtherance of their duties at the Company's expense.

3.2 Board Composition and Board Balance

3.2.1 The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.

3.2.2 At any one time, at least two (2) or one-third (1/3), whichever is higher, of the Board members are Independent Directors.

3.2.3 The Independent Directors on the Board are expected to provide independent judgement, experience and objectivity without being subordinated to operational considerations.

3.2.4 The Independent Directors are expected to ensure that the interests of all shareholders are protected, and that the relevant issues are subjected to objective and impartial consideration by the Board.

3.2.5 The views of the Independent Directors shall carry significant weight in the Board's decision-making process.

3.2.6 If, on any matter discussed at a Board meeting, any Director holds views contrary to those of any of the other Directors, the Board minutes will clearly reflect this.

3.2.7 The number of Directors' (including the MD) should not be less than 2 nor more than 15. Nevertheless, the Board is at the discretion to revise its size from time to time.

3.2.8 The Board Directorship Policy sets out the formal commitment for the Board of Directors regarding the directorship and tenure of Board members. The Board Directorship Policy is embedded in the Board Charter and is made available for reference on the Company's website at <http://www.pharmaniaga.com.my>.

3.3 Board Diversity

3.3.1 The Board embraces diversity and gender mix in its composition and believes that the presence of diverse ethnicities, nationalities and gender mix on the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities. However, due recognition to the financial, technical, experience and skill-sets of the Director is imperative and shall remain priority at all times.

3.4 Senior Independent Non-Executive Director

3.4.1 The Board may appoint a Senior Independent Non-Executive Director to act as a sounding board for the Chairman, to act as an intermediary for other Directors when necessary and as a point of contact to whom shareholders' concerns can be conveyed.

3.4.2 The Senior Independent Director shall have specific responsibilities which include the following:-

- a) Serves as a designated contact for consultation and direct communication with shareholders on areas that cannot be resolved through normal channels of contact with the Chairman or Managing Director;

- b) Serves as the principal conduit between the Independent Directors and the Chairman on sensitive issues;
 - c) Ensures all Independent Directors have the opportunity to provide input on the agenda, and advise the Chairman on the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the Independent Directors to perform their duties effectively; and
 - d) Provides avenue for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole.
- 3.4.3 The oversight of the whistleblowing function is under the purview of the Senior Independent Director who shall ensure that all reported violations are properly investigated. The Senior Independent Director is also responsible for reviewing the effectiveness of the actions taken in response to all concerns raised.

3.5 Appointment

- 3.5.1 A person shall not hold office as a Director of the Company, if the person:-
- a) is an undischarged bankrupt;
 - b) has been convicted of an offence relating to the promotion, formation or management of a corporation;
 - c) has been convicted of an offence involving bribery, fraud or dishonesty;
 - d) has been convicted of an offence under sections 213, 217, 218, 228 and 539 of Companies Act 2016; or
 - e) has been disqualified by the Court under section 199 of Companies Act 2016.
- 3.5.2 The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nominating and Remuneration Committee.
- 3.5.3 The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed. The Company Secretary shall facilitate the orientation for new Directors to be familiarise with the Company's business and operations.

3.6 Re-election

- 3.6.1 All Directors are subject to retirement by rotation at the Company's AGM, at least once in every three (3) years, and shall be eligible for re-election.

3.7 Remuneration

- 3.7.1 The remuneration of the Directors are subject to review and recommendation by the Nominating and Remuneration Committee.
- 3.7.2 A review of the remuneration of the MD/CEO and key senior management is undertaken on an annual basis while a review for Non-Executive Directors may be reviewed from time to time, as may be determined by the Board.

3.8 Board Meetings

- 3.8.1 All Directors are provided with timely and quality information and in a form and manner appropriate for them to discharge their duties effectively.
- 3.8.2 Management is responsible for providing the Board with the required information in an appropriate and timely manner. The Chairman, assisted by the Company Secretary,

assesses the type of information required to be provided to the Board. If the information provided by Management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.

- 3.8.3 The Board shall conduct at least four (4) scheduled meetings a year, with additional meetings convened as and when required. Management may be invited to attend and speak at meetings on matters relating to their sphere of responsibility.
- 3.8.4 The quorum for a Board meeting shall be a minimum of four (4) Directors, unless the numbers of Directors of the Company decreases to two (2), in which case Clauses 142 and 144 of the Company's Constitution shall apply. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to chair the meeting.
- 3.8.5 The Chairman shall have a second or casting vote.
- 3.8.6 Each Director shall attend physically at least 50% of the total Board meetings held during the year.
- 3.8.7 The Board papers are circulated to Directors five (5) days in advance of each Board meeting. The Board papers shall include, amongst others:
- a) Quarterly financial report and report on the Company's cash and borrowing positions;
 - b) Minutes of meetings of all Committees of the Board;
 - c) A current review of the operations of the Company;
 - d) Reports on Related Party Transactions and Recurrent Related Party Transactions;
 - e) Directors' share-dealings, including public shareholdings spread; and
 - f) Annual Management Plans.
- 3.8.8 The minutes of the Board meetings are properly recorded and kept by the Company Secretary.

3.9 Board Effectiveness Evaluation

- 3.9.1 The Board shall ensure that a formal and objective annual evaluation process is in place to determine the effectiveness of the Board, its Committees and each individual Director.

3.10 Tenure of Independent Director

- 3.10.1 The tenure of an Independent Director shall not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director.
- 3.10.2 If the Board intends to retain an Independent Director beyond nine (9) years, it shall justify and seek annual shareholders' approval.
- 3.10.3 If the Board continues to retain the Independent Director after the twelfth (12) year, the Board shall seek annual shareholders' approval through a two-tier voting process.

3.11 Matters Reserved by the Board

- 3.11.1 The following matters shall require approval from the Board:-
- a) approval of strategic directions, plans and key policies;
 - b) approval of annual budgets, including major capital commitments and capital expenditure budgets;
 - c) approval of new major ventures;

- d) approval of material acquisitions and disposition of assets not in the ordinary course of business;
 - e) key changes to management and control structure within the Company;
 - f) appointment of MD, Board members, Board Committee members, and Company Secretary; and
 - g) any matters or transactions that fall within the ambit of the Board pursuant to the Companies Act, MMLR, the Company's Constitution or any other applicable laws and regulations.
- 3.11.2 Notwithstanding the above, the Board has discretion to delegate authority to Board Committee, Chairman, MD or nominated members of Senior Management on selected issues as it deems fit.

3.12 Conflict of Interest

- 3.12.1 A Director shall at all times avoid conflict of interest, and shall as soon as practicable after the relevant facts have come to his/her knowledge, declare the nature of his/her interest.
- 3.12.2 The Board has in place a Directors' Code of Ethics and Conduct formulated to enhance corporate governance and the standard of professional and ethical practices of Directors. The Directors' Code of Ethics and Conduct is included in the Board Charter and is made available for reference on the Company's website at <http://www.pharmaniaga.com.my>.
- 3.12.3 The Directors' Code of Ethics and Conduct is intended to manage situations where conflict of interest on the part of the Directors may arise.

4. CHAIRMAN AND MANAGING DIRECTOR

The Board aims to ensure a balance of power and authority between the Chairman and the Managing Director (MD) with a clear division of responsibility between the running of the Board and the Company's business respectively. The position of Chairman and MD are separated and clearly defined.

4.1 Chairman

- 4.1.1 The Chairman leads the Board and his key responsibilities include the following:
- a) providing leadership for the Board so that the Board can perform its responsibilities effectively;
 - b) setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
 - c) leading Board meetings and discussions;
 - d) encouraging active participation and allowing dissenting views to be freely expressed;
 - e) managing the interface between Board and management;
 - f) ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
 - g) leading the Board in establishing and monitoring good corporate governance practices in the Company.
- 4.1.2 The Chairman is responsible for managing the business of the Board to ensure that:
- a) all Directors are properly briefed on issues arising at Board meetings;
 - b) sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings beforehand to enable thorough preparation for the Board discussion; and

c) the issues discussed are forward looking and concentrates on strategy.

4.1.3 The Chairman ensures that every Board resolution is put to vote to ensure the will of the majority prevails.

4.1.4 The Chairman ensures that Executive Director(s) look beyond their executive functions and accept their full share of responsibilities on governance.

4.2 Managing Director (MD)

4.2.1 The MD is the conduit between the Board and management in ensuring the success of the Company's governance and management functions.

4.2.2 The MD has the executive responsibility for the day-to-day operation of the Company's business within authority delegated by the Board.

4.2.3 The key role of the MD, amongst others, include:

- a) developing the strategic direction of the Group;
- b) ensuring that the Group's strategies and corporate policies are effectively implemented;
- c) ensuring that Board decisions are implemented and Board directions are adhered to;
- d) providing directions in the implementation of short and long term business plans;
- e) providing strong leadership i.e. effectively communicating a vision, management philosophy and business strategy to the employees;
- f) keeping Board fully informed of all important aspects of the Group's operations and ensuring sufficient information is distributed to the Board Members;
- g) ensuring high performance and productivity of top management staff by creating conditions for top management motivation, performance management and professional development;
- h) ensuring compliance with all relevant legislation and regulations by reviewing policies and monitoring compliance;
- i) developing and maintaining effective relations with significant external agencies, investing public and other trade associations and institutions; and
- j) ensuring day-to-day business affairs of the Group are effectively managed.

5. BOARD COMMITTEES

5.1 To assist the Board in fulfilling its responsibilities, the Board has established the following Board Committees each with specific duties and powers set out in the respective Terms of Reference:

- Audit Committee
- Nominating and Remuneration Committee
- Risk Committee
- Sustainability Committee

5.2 The Board may from time to time establish any other Board Committees.

6. FINANCIAL REPORTING

6.1 Transparency

6.1.1 The Board shall ensure that the financial statements are prepared so as to give a true and fair view of the current financial status of the Company in accordance with the approved accounting standards. The Board shall aim to present a clear and balanced assessment of the Company's financial position and future prospects that extends to the interim and price-sensitive information and other relevant reports submitted to regulators.

6.1.2 The Board shall ensure that the quarterly financial results is announce to the Exchange within two (2) months after the end of each quarterly financial period.

6.2 Company Auditors

6.2.1 Appointment of the Company Auditors is subject to the approval of shareholders at the general meeting. The Company Auditors shall retire at the AGM every year and be re-appointed by shareholders for the ensuing year.

6.3 Internal Control and Risk Management

6.3.1 The Board shall ensure that the Company has a well-resourced internal audit function, which critically reviews all aspects of the Company's activities and its internal control. Comprehensive audits of the practices, procedures, expenditure and internal control of all business and support units and subsidiaries are undertaken on a regular basis. The Head of Internal Audit has direct access to the Board through the Chairman of the Audit Committee.

6.3.2 The Board ensures the internal control and risk management framework are reviewed on a regular basis.

7. ANNUAL GENERAL MEETING

7.1 The AGM is an important event in the corporate calendar of which all Directors and Senior Management shall attend.

7.2 The AGM is the principal forum for dialogue between the Board and shareholders and it provides an important opportunity for effective communication.

7.3 The Chairman shall encourage active participation by the shareholders during the AGM.

7.4 The Chairman and, where appropriate, the MD, the Chair of any of the Board Committees shall respond to shareholders' queries during the meeting. Where necessary, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting.

8. COMMUNICATION WITH STAKEHOLDERS

8.1 The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company and as such adopts an open, effective and transparent policy in respect of its relationship with its shareholders and investors.

8.2 The Board ensures the timely release of financial results on a quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements made during the year.

- 8.3** The Company conducts dialogues with financial analysts from time to time as a means of effective communication that enables the Board and Senior Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests.
- 8.4** A press conference will normally be held after the AGM or Extraordinary General Meeting. At this press conference, the Chairman will provide the media with the opportunity to receive update on the proceedings at the general meeting and to address any queries.
- 8.5** The Company's website at <http://www.pharmaniaga.com.my> shall provide easy access to corporate information pertaining to the Company and its activities and is continuously updated.

9. COMPANY SECRETARY

- 9.1** The Company Secretary who is appointed by the Board shall be qualified and should possess the knowledge and experience to carry out his functions. These may include knowledge in company and securities law, finance, governance, company secretaryship and other areas of compliance.
- 9.2** The Company Secretary is accountable to the Board through the Chairman of the Board.
- 9.3** The roles and responsibilities of a Company Secretary shall include the following:
- managing all Board and Board Committees meeting logistics, attend and record minutes of all board and committee meetings and facilitate board communications;
 - advising the Board on its roles and responsibilities;
 - facilitating the orientation of new directors and assisting directors training and development;
 - advising the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;
 - managing processes pertaining to the annual shareholder meeting;
 - monitoring corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and
 - serving as a focal point for stakeholders' communication and engagement on corporate governance issues.
- 9.4** The Board have unlimited access to the professional advice and services of the Company Secretary.

10. REVIEW OF THE BOARD CHARTER

- 10.1** The Board endeavours to comply at all times with the principles and practices set out in this Board Charter.
- 10.2** The Board Charter will be reviewed by the Board on a periodic basis and updated in accordance with the Company's requirement or any regulations that may have impact on the discharge of the Board's responsibilities.
- 10.3** The Board Charter is made available for reference on the Company's website at <http://www.pharmaniaga.com.my>.

ABBREVIATIONS

AGM.....	Annual General Meeting
Board or Board members	Board of Directors of Pharmaniaga Berhad
Pharmaniaga or the Company.....	Pharmaniaga Berhad
Parmaniaga Group or the Group.....	Pharmaniaga Berhad and its Group of Companies
Companies Act.....	Companies Act 2016
Constitution.....	Memorandum and Articles of Association of the Company
Exchange.....	Bursa Malaysia Securities Berhad
MD.....	Group Managing Director of Pharmaniaga Berhad
Independent Director.....	A Director who does not participate in the management of the Company and who satisfies the criteria for “independence” set out in the MMLR
MMLR	Main Market Listing Requirements of Bursa Malaysia Securities Berhad
Senior Management.....	Executive Director(s) and members of Senior Management team

REFERENCES

Bursa Malaysia Best Practices in Corporate Disclosure
Companies Act 2016
Main Market Listing Requirements of Bursa Malaysia Securities Berhad
Malaysian Code on Corporate Governance