

Board Charter



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Effective Date: February 19, 2020
Approved by: The Board of DKSH Holdings (Malaysia) Berhad

Supersedes and replaces all prior versions as from the effective date.

1. Introduction

DKSH Holdings (Malaysia) Berhad (“the Company” or “DKSH”) is committed to strive for the highest standards of corporate governance and to ensure continued corporate compliance at all times.

The Board of Directors (“the Board”) of DKSH is responsible for ensuring that the DKSH Group (“the Group”) has an appropriate corporate governance structure.

This Charter serves as a reference point for Board activities and should not be construed as a blueprint for Board operations.

This Charter is established to promote high standards of corporate governance and is designed to provide guidance and clarity for Directors and management with regard to the role of the Board and its Committees. This Charter does not over-rule or pre-empt the statutory requirements and other relevant statutes. This Charter shall form an integral part of each Director’s duties and responsibilities.

2. Purpose

The Board oversees the governance of the Company/Group to secure sustainable performance and long-term financial results, and to safeguard shareholders’ investments. All Board members shall show good stewardship and uphold core values of the integrity with regard to their fiduciary duties and responsibilities.

This Board Charter sets out the authority and functions of the Board and/or the Board Committees. It also assists in the assessment of Board’s performance.

3. Authority

- (i) The authority, duties and responsibilities of the Board are primarily governed by the Company’s Constitution (“Constitution”) and the Companies Act 2016 (“the Act”).
- (ii) The Board is also cognizant of Bursa Malaysia Securities Berhad’s (“Bursa Malaysia”) Listing Requirements (“Listing Requirements”), the Malaysian Code on Corporate Governance and other applicable laws, codes and regulatory guidelines that are in force in Malaysia.
- (iii) The Board shall exercise their powers and discharges their duties as conferred on them.

4. Functions of the Board

The Board has overall responsibility for overseeing the conduct of the Company’s business, corporate governance, investor relations, risk management practices and internal controls.

In carrying out its functions, the Board shall discharge its duties and responsibilities vested in it, which include:

- (i) Oversee and evaluate the conduct of business of the Company/Group and its financial performance;
- (ii) Ensure the Board adheres to its fiduciary obligations;
- (iii) Ensure the Group adheres to requirements of legal, ethical values and corporate behavior in the conduct of business;
- (iv) Review and approve corporate and strategic business plans for the Company/Group;
- (v) Monitor implementation of strategy and policy as well as corporate performance;
- (vi) Review and approve quarterly interim results and annual audited financial statements of the Company and the Group, and ensure that they are prepared in a timely and accurate manner complying with accounting and regulatory requirements;
- (vii) Review and assess reports from the Executive Director(s) and management;
- (viii) Maintain an effective governance structure to ensure that the appropriate management of risks and control systems is in place;
- (ix) Identify principal risks and ensure implementation of risk management and internal control systems;
- (x) Review the adequacy and the integrity of the risk management and internal control systems of the Company/Group with the guidance from the Audit Committee;

- (xi) Review and/or approve annual targets and significant capital expenditure;
- (xii) Monitor the Board's size, composition, processes and performance;
- (xiii) Encourage investor relations and shareholders communication, and ensure the establishment of a mechanism for the purpose; and
- (xiv) Review matters specifically reserved for the Board's decision.

4.1 Matters specifically reserved for the Board's decision include reviewing and approving the following:

- (i) Appointment of new Directors and Chairman (Board and Board Committees);
- (ii) Changes to the Constitution;
- (iii) Alterations of capital and new issuance of securities;
- (iv) Modification to class rights;
- (v) Corporate restructurings;
- (vi) Payment of interim dividend and recommendation of final dividend for shareholders' approval;
- (vii) Significant related party transactions and capital financing;
- (viii) Decisions on material transactions/major investments and matters that have significant impact to the Group;
- (ix) Major capital expenditure, acquisitions or disposal of a business or assets in excess of authority levels delegated to management; and
- (x) Other transactions requiring Board and shareholders' approval.

5. Board structure

5.1 Composition

- (i) The Board shall have a right mix of skills, experience, diversity and knowledge relevant to effectively direct and supervise the Company's business activities and ensure that the interest of all stakeholders is adequately protected.
- (ii) The size and composition of the Board is reviewed from time to time and subject to the provisions of the Company's Constitution, the Listing Requirements and other applicable rules, regulations and guidelines.
- (iii) The Chairman of the Board is responsible for managing the conduct of the Board and ensuring all Board decisions reflect the collective view of the Board.
- (iv) Subject to the provisions of the Listing Requirements, the Board ensures that at least 2 Directors or 1/3 of the Board of the Company, whichever is the higher, are Independent Directors.
- (v) Independent Directors provide independent and constructive views and make sure that the strategies and policies proposed by the management are reviewed and deliberated in the interest of the various stakeholders.
- (vi) The Executive Director(s) together with the management of the Company is(are) responsible for ensuring that the strategies, policies and matters approved by the Board are effectively implemented.

5.2 Appointment and re-election

- (i) The Board together with the Nominating and Remuneration Committee is charged with the responsibility to oversee the selection of Directors and Chairman.
- (ii) Each nomination shall be assessed based on the required mix of skills, experience and diversity, which the new Director brings to the Board and on the Board Diversity Policy which articulates the diversity attributes and needs of the Board.
- (iii) Subject to the provisions of the Company's Constitution and the Listing Requirements, all Directors of the Company shall retire from office at least once every 3 years but shall be eligible for re-election at the annual general meeting of the Company ("AGM"). A new Director appointed by the Board during the year shall hold office until the next AGM and then be eligible for re-election.

6. Chairman of the Board

The Chairman carries out a leadership role in the conduct of the Board and its relations with the shareholders and other stakeholders. The Chairman is primarily responsible for:

- (i) Managing Board meetings to ensure robust decision making by setting the agenda for each board meeting together with the Company Secretary and the Group Finance Director. Other Directors and key members of management (e.g. the head of internal audit) may also be consulted;
- (ii) Managing boardroom dynamics by promoting a culture of openness and debate;
- (iii) Taking a leading role in creating an effective corporate governance system, including the establishment of Board and Committee charters, a Committee structure and ongoing education program for directors;
- (iv) Ensuring that board talent life cycle planning is considered on an ongoing basis; and
- (v) Being the public face by acting as a spokesperson for the Board and representing the Company at the shareholders' meetings.

7. Role of Group Finance Director

The position of the Group Finance Director in essence is to ensure the effective implementation of the Group's business plan and policies established by the Board as well as to manage the daily conduct of the business and company affairs to ensure its smooth operation. The Group Finance Director together with the Chairman, is responsible to the Board for the achievement of the Group's mission, goals and objectives.

The Group Finance Director is responsible to the Board for the following:

- (i) Directing and controlling all aspects of the business operations in a cost effective manner;
- (ii) Effectively oversee the talent management of the Group with respect to key positions in the Group's hierarchy;
- (iii) Ensures that the Group's Financial Reports present a true and fair view of the Group's financial condition and operational results and are in accordance with the relevant accounting standards;
- (iv) Assures the Group's corporate identity and services are of high standards and are reflective of the market environment;
- (v) Ensures compliance with governmental procedures and regulations;
- (vi) Coordinates management issues through the Board and oversees functional units and cost containment process; and
- (vii) Assists the Chairman in organising information necessary for the Board to deal with the agenda and for providing this information to Directors on a timely basis.

8. Role of Non-Executive Directors/Independent Non-Executive Directors

- (i) Non-Executive Directors are persons of caliber, credibility and have the necessary skill and experience to bring an independent judgement to bear on the issues of strategy, performance and resources, including key appointments and standards of conduct.
- (ii) Independent Non-Executive Directors are those who have no direct or indirect pecuniary interest in the Company other than the remuneration for their services as members of the Board of Directors and Board Committees of the Company and the Group.
- (iii) The role of the Non-Executive Directors/Independent Non-Executive Directors is to constructively challenge and help develop proposals on strategy include, inter alia:
 - a) to make an independent assessment of the information, reports or statements, having regard to the directors' knowledge, experience and competence, to provide an independent view and demonstrate objectivity in reviewing and challenging the management's proposals at meetings; and
 - b) to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programs, so as to keep abreast of industry issues, market development and trend, and enable them to sustain their active participation in board deliberations.

9. Senior Independent Non-Executive Director

- (i) The Board shall appoint amongst its members a Senior Independent Non-Executive Director to act as an additional safeguard and to serve as a fallback point of contact for investors and shareholders when the normal channel of communication is considered to be inappropriate or inadequate.
- (ii) The Senior Independent Non-Executive Director shall have specific responsibilities which include to:
 - a) Serve 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 Group Finance Director; and
 - b) Serve as the principal conduit between the Independent Directors and the Chairman on sensitive issues.

10. Company Secretary(ies)

- (i) The appointment and removal of the Secretary(ies) shall be a matter of the Board as a whole.
- (ii) The Secretary(ies) is responsible for ensuring that Board procedures are followed, that applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.
- (iii) The key role of the Secretary(ies) 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.

11. Board Committees

- (i) The Board may from time to time establish Board Committees as it considers appropriate to assist in carrying out its duties and responsibilities and/or to address specific issues.
- (ii) All duties delegated to the Board Committees are however the responsibility of the entire Board.
- (iii) Members of the Board Committees have access to the appropriate external and professional advice needed to assist the Board Committees in fulfilling its role.
- (iv) The powers delegated to the Board Committees, as the case may be, are set out in the respective Terms of Reference approved by the Board.
- (v) The Audit Committee has been established by the Board to assist the Board in the execution of specific responsibilities. The Board considers recommendations of the Audit Committee and review issues arising from the Audit Committee's deliberation and reports.
- (vi) The Nominating and Remuneration Committee has been established by the Board to assist the Board in the execution of specific responsibilities. The Board considers recommendations of the Nominating and Remuneration Committee and review issues arising from the Nominating and Remuneration Committee's deliberation and reports.

12. Board meetings

- (i) The Board conducts at least 4 scheduled meetings annually and additional meetings will be convened as and when necessary.
- (ii) Matters specifically reserved for the Board's decision are forwarded to its members prior to all meetings.
- (iii) The Chairman of the Board ensures that all Board members are given ample opportunity to express their views and opinions during meetings.
- (iv) All discussions, decisions and conclusions are duly recorded in the minutes of meetings, confirmed by the Chairman of the meeting and circulated to all Board members.
- (v) The Chairman of the Audit Committee informs the Board at its meetings of any salient matters raised at the Audit Committee meetings which require the Board's attention, direction and approval.
- (vi) The Chairman of the Nominating and Remuneration Committee informs the Board at its meetings of any salient matters raised at the Nominating and Remuneration Committee meetings which require the Board's attention, direction or approval.
- (vii) The Company Secretary(ies) keep proper documentation of meetings and ensures compliance with statutory and listing obligations.

13. Access to information and independent advice

- (i) The Board members, collectively or individually, have full and unrestricted access to the advice and services of the senior management and the Company Secretary(ies).
- (ii) There is no restriction for Directors to obtain independent professional advice in furtherance of their duties at the Company's expense, so as to ensure the Directors are able to make independent and informed decisions.

14. Accountability and audit

14.1 Internal controls and risk management

- (i) The Board ensures the Company's risk management and internal control framework and practices are adequate and effective.
- (ii) The Board ensures a review on the adequacy and effectiveness of the risk management and internal control system is undertaken annually, and there are no significant control failures or weaknesses that will result in material misstatements, losses or fraud.
- (iii) The Board ensures that an assurance from the Group Finance Director to the Board is obtained annually confirming the Company's risk management and internal control system are adequate and effective taking into account all significant aspects.

14.2 Financial reporting

- (i) The Board reviews reports and recommendations of the Audit Committee, deliberates and approves quarterly and annual assessments of the Group's position and prospects prior to the timely release to Bursa Malaysia and/or shareholders.
- (ii) The Board is responsible for ensuring that the financial statements give a true and fair view of the state of the affairs of the Company and the Group and have been prepared in accordance with applicable accounting standards in Malaysia and the provisions of the Act.

14.3 Auditors

- (i) The Board, through the Audit Committee, maintains a formal and transparent professional relationship with the auditors, both external and internal, and ensures the Company has transparent procedures with the auditors in line with the auditors' professional requirements.
- (ii) The Audit Committee reviews and deliberates with the external auditors any issues arising from the interim and final audits, audit plans, audit findings and any matters of concern.

15. Directors' remuneration

- (i) The fee or remuneration payable to Non-Executive Directors is proposed by the Nominating and Remuneration and recommended to the Board and is subject to the shareholders' approval at the AGM.
- (ii) The level of remuneration of Non-Executive Directors reflects the experience, expertise and level of responsibilities undertaken by the individual Director concerned.
- (iii) Given the Company is majority-owned by the international DKSH Group of Switzerland, the remuneration of the Executive Director(s) and Senior Management are based on the international DKSH Group of Switzerland's own group-wide remuneration policy and procedures which is set in line with international standards.

16. Board assessment

- (i) The Board and/or the Nominating and Remuneration Committee conducts an annual assessment on the effectiveness of the Board as a whole, the Board Committees, the performance of individual Directors and the independence of Directors.

- (ii) The aim of the Board assessment is to ensure the Board members, individually and collectively, work efficiently and effectively in achieving their responsibilities as set out in the Board Charter and or the respective Terms of Reference of the Board Committees.
- (iii) The Nominating and Remuneration Committee reviews the Directors' evaluation and makes recommendation to the Board.
- (iv) Members of the Board and/or the Nominating and Remuneration Committee analyze and discuss the findings of the assessment, including recommendations for change or improvement.
- (v) All assessments and evaluations carried out are formally and properly documented.

17. Directors' training and continuing education

- (i) All Directors attend and complete the Directors' Mandatory Accreditation Program pursuant to the Listing Requirements as prescribed by Bursa Malaysia.
- (ii) All members of the Board abide by the Continuing Education Program requirement pursuant to the Listing Requirements.
- (iii) The Board and/or the Nominating and Remuneration Committee evaluates and determines the training needs of the Board members on a continuous basis.
- (iv) Training and seminar programs to be attended by the Board members must be relevant and useful in contributing to the effective discharge of their duties as Directors and sustain active participation in the Board deliberations.
- (v) Directors may request training programs on specific subjects to be arranged.

18. Investor relations and shareholders communication

- (i) The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company and the Company has implemented appropriate corporate communications policies and procedures when liaising with shareholders and investors.
- (ii) The Board ensures timely release of various announcements, quarterly financial results and annual reports of the Company.
- (iii) The Board welcomes the visit of investors for dialogue or discussions on the performance of the Group and organizes investor relations meetings post announcement of financial results. The Group Finance Director is available for such meetings and queries.

19. Conflict of interest and declaration of interest

- (i) Members of the Board are required to keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of the Company and advise the Secretary(ies) of all directorships held in other companies.
- (ii) If a potential material conflict of interest arises, the Director concerned shall advise the Chairman of the Board prior to any Board meeting of issues to be discussed. Any potential conflicts of interest shall be recorded in the Board minutes.

20. Restrictions on share dealings by Directors

- (i) In accordance with DKSH's securities trading policy and in compliance with the Listing Requirements, all Directors of DKSH are restricted from dealings in the shares of DKSH during the closed period (as defined in the Listing Requirements).
- (ii) Subject to the provisions of the Listing Requirements, where any Director deals in DKSH's shares outside closed periods, the Director shall within 3 market days after dealing has occurred, give notice of dealing in writing to the Company Secretary(ies). The Company shall immediately announce such notice to Bursa Malaysia pursuant to the Listing Requirements.

21. Indemnities and Insurance

The Company shall make all reasonable effort to provide Directors and officers with insurance cover while acting in their capacities as Directors and officers, to the fullest extent permitted by the Act and law.

22. Board and management Relationship

- (i) The Board will link the Company's governance and management functions through the Executive Director(s).
- (ii) All Board authority conferred on management is delegated through the Executive Director(s) so that the authority and accountability of management is considered to be the authority and accountability of the Executive Director(s) so far as the Board is concerned.
- (iii) The Executive Director(s) is (are) expected to keep the Board informed on all important matters.

23. Management

- (i) The management is expected to act within all specific authorities delegated to them by the Company.
- (ii) The management is expected not to cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics.
- (iii) There is a clear demarcation between the roles and responsibilities of the Board and management. The Board is mindful of its fiduciary obligations including managing situations which may give rise to conflicts of interest. The Board expects the management to adopt an open and transparent approach in respect of any issues which require the Board to be informed. Nevertheless, in the event of conflicts, the Board is authorized to seek independent advice to ensure that the Board's integrity and reputation will not be compromised.

24. Review

- (i) The Board Charter shall be reviewed and amended as necessary to determine its adequacy for current circumstances, the Company's policies and applicable rules and regulations.
- (ii)

Petaling Jaya, February 19, 2020