



ZECON BERHAD
(Company No. 34463-X)

BOARD CHARTER

**Approved and adopted by the Board of Directors of Zecon Berhad at its Meeting
held on 25 August 2018**

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ZECON BERHAD
(Company No. 134463-X)

BOARD CHARTER

1.0 INTRODUCTION

The Board Charter sets out the authority, roles and responsibilities, composition and functions of the Board of Zecon with the aims of inculcating high standards of Corporate Governance, in accordance with applicable rules and regulations in Malaysia.

2.0 BOARD'S AUTHORITY

The Board derives its authority to act from the Company's Constitution, the Companies Act, 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other relevant laws and regulations governing companies in Malaysia.

3.0 POWERS OF THE BOARD

There should clearly be an accepted division of responsibilities at the head of the Company, which will ensure a balance of power and authority such that no one individual has unfettered powers of decision. The division of responsibilities is to be regularly reviewed taking into consideration the operational, financial and business development aspects of the Company to ensure the Company's needs are consistently met.

Where the Board appoints a committee, it should spell out the authority of the committee and in particular whether the committee has the authority to act on behalf of the Board or simply has the authority to examine a particular issue and report back to the Board with a recommendation.

4.0 BOARD STRUCTURE

4.1 Board Composition

The Board shall comprise of qualified individuals with a broad range of skills, diversity, expertise, ethnicity and experience from range of backgrounds. The Constitution of the Company provides that there will be a minimum of two (2) Directors and a maximum of fifteen (15) Directors.

At any one time, at least two (2) Directors or one-third (1/3) of the Board members, whichever is the higher, are Independent Directors. If the number of directors is not 3 or a multiple of 3, then the number nearest 1/3 must be used.

The Chairman is appointed from amongst the Directors as approved by the Board.

4.2 Nomination and Appointments

- i) The appointment of a new Director is a matter for consideration and decision by the Board upon recommendation from the Remuneration & Nomination Committee (“RNC”).
- ii) The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.
- iii) Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations and regulations.
- iv) The Company has adopted educational/ training programmes to update the Board in relation to new developments pertaining to the laws and regulations and changing commercial risks which may affect the Board and/or the Company.
- v) The directorships held by any Board member at any one time shall not exceed 5 in listed companies or such other numbers prescribed by the relevant regulatory bodies.

4.3 Re-election and Re-appointment

The Company complies with the regulations and the laws governing the re-election and re-appointment of Directors in addition to the provisions of its Constitution.

The Constitution also provide that at least one-third (1/3) of the Directors be subject to re-election by rotation at each Annual General Meeting (“**AGM**”) provided always that all Directors including the Managing Director shall retire from office at least once every three (3) years but shall be eligible for re-election.

Directors who are appointed during the financial year shall hold office only until the next AGM and shall be eligible for re-election, but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

4.4 Independence

- i) An Independent Director is independent in the day-to-day management of the Company and free of any relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.
- ii) The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations.
- iii) The Independent Directors help to ensure that the interests of all shareholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subject to objective and impartial consideration by the Board.
- iv) The views of the Independent Directors should carry significant weight in the Board's decision-making process.
- v) The Board reviews the independence of the Independent Directors on an annual basis upon readmission or when any new interest or relationship develops.

4.5 Tenure of Independent Director

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director.

If the Board intends to retain the Independent Director beyond nine (9) years, the Board shall, upon the recommendation from the RNC, justify and obtain annual shareholders' approval in accordance with the CG Code 2017 subject to the provision in the Constitution.

5 BOARD DIVERSITY

The Board promotes and embraces diversity in its composition and believes that the presence of diverse ethnicities on the Board can widen the Board's perspectives in effectively discharging its duties and responsibilities. While promoting diversity, due recognition to the financial, technical, experience and skill-sets of the Director's concern and business imperative should remain a priority.

On the gender diversity agenda, the Board will identify suitably qualified female Director, whenever the opportunity arises.

6.0 ROLES AND RESPONSIBILITIES OF BOARD

The Board's roles and responsibilities are amongst other, as follows:-

6.1 Code of Ethics

The Board should at all times observe the following Codes:

6.1.1 Corporate Governance

- a) Should have a clear understanding of the aims and objectives, capabilities and capacity of the company;
- b) Should devote time and effort to attend meetings and to know what is required of the board and each of its directors, and to discharge these functions:
- c) Should ensure at all times that the company is properly managed and effectively controlled;
- d) Should stay abreast of the affairs of the company and be kept informed of the Company's compliances with relevant legislation, contractual and to all regulatory authorities;
- e) Should insist on being kept informed on all matters of importance to the Company in order to be effective in corporate management;
- f) Should limit directorship of companies to a number in which the Director can best devote time and effectiveness; each director is an own judge of abilities and how best to manage time effectively in company in which Director hold directorship;

- g) Should have access to the advice and services of the corporate secretary, who is responsible to the board to ensure proper procedures, rules and regulations are complied with;
- h) Should all times exercise powers for the purposes Director was conferred, for the benefit and prosperity of the company;
- i) Should dispose immediately all contractual interests whether directly or indirectly with the company;
- j) Should never divert to own advantage by business opportunity that the company is pursuing, nor may use confidential information obtained by reason of office for own advantage or that of others;
- k) Should at all times act with utmost good faith towards the company in transaction and to act honestly and responsibly in the exercise of powers in discharging duties and;
- l) Should be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the company is at stake.

6.1.2 Relationship with shareholders, employees, creditors and customers

- a) Should be conscious of the interest of shareholders, employees, creditors and customers of the company;
- b) Should at all times promote professionalism and raise competency of management and employees; and
- c) Should ensure adequate safety measure and provide proper protection to workers and employees at work place.

6.1.3 Social responsibilities and the environment

- a) Should ensure that necessary steps are taken in accordance with the laws to properly wind-up or strike off the company register if the company has not commenced business or has ceased to carry on his business and is not likely to commence business in future or again to carry on business as the case maybe;
- b) Should adopt an objective and positive attitude and give the utmost co-operation for the common good when dealing with governmental authorities or regulatory bodies
- c) Should ensure effective use of natural resources, and to improve quality of life by promoting corporate social responsibilities;
- d) Should be more proactive to the needs of the community and to assist in society-related programs in line with the aspirations of the concept of “Caring Society” in Vision 2020; and
- e) Should ensure that the activities and the operations of the company do not harm the interest and interest and well-being of the society at large and to assist in the fight against inflation.

6.2 Ethics and Compliance

- i) The Board is charged with leading and managing the Group in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Group. The Directors are, collectively and individually, aware of their responsibilities to the shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Group's values and standards and ensures that its obligations to its stakeholders are understood and met.
- ii) All Directors observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its stakeholders.
- iii) The Board understands that the responsibility for good corporate governance rests with them and therefore strives to comprehend and apply the principles and practices stated in the Malaysian Code on Corporate Governance 2017 ("**CG Code 2017**").
- iv) The Board meets in person at least once every quarter to facilitate the discharge of their responsibilities. Management who are not Directors may be invited to attend and speak at meetings on matters relating to their sphere of responsibility.
- v) The Board establishes the corporate vision and mission, as well as the philosophy of the Company, setting the aims of the Management and monitoring the performance of the Management.
- vi) The Board oversees the business and affairs of the Company and will assume, amongst others, the following duties and responsibilities in meeting the goals and objectives of the Company:-
 - a) reviewing, approving and monitoring the overall strategies and direction of the Group and to ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
 - b) overseeing and evaluating the conduct and performance of the Group's businesses, including its control and accountability systems;
 - c) together with senior management, promoting good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviors
 - d) identifying, understanding and managing principal risks affecting the Group and to recognise that business decisions involve the taking of appropriate risks;
 - e) approving policies relating to investor relations programme and shareholder communication and overseeing stakeholder communications;
 - f) reviewing the adequacy of the Group's internal control policy;
 - g) providing input into and final approval of the annual operating budget;
 - h) approving major capital expenditure, capital management and acquisitions;

- i) reviewing and monitoring systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies;
- j) 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; and
- k) Ensuring the integrity of the Company's financial and non-financial reporting.

6.3 Policies and Strategies

The Board oversees the Company Policies as a whole. This includes the Code of Business Conduct and Ethics, Whistleblowing Policy and other significant policies recommended under CG Code 2017. The Code of Business Conduct and Ethics promotes ethical values and standards in the workplace while ensuring appropriate internal systems are in place to support, promote and ensure its compliance. The Whistleblowing Policy sets the appropriate communication channels to facilitate whistleblowing by employees, customers, suppliers and other stakeholders.

6.4 Internal Controls and Risk Management

- a) The Board oversees, reviews and monitors the operation, adequacy and effectiveness of Group's system of internal controls.
- b) The Board defines the risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/ significant risk facing the Group.
- c) The Group has a competent internal audit function, which critically reviews all aspects of the Group's activities and its internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis.

7.0 BOARD RESERVES MATTERS

The Board reserves full decision-making powers, amongst others, on the following matters (save to the extent that the Board resolves that determination and/or approval of any such matter shall be delegated to the Committees of the Board or Management):-

- a) Appointment of the Chairman;
- b) Appointment and removal of the Managing Director;
- c) Appointment of Directors to fill a vacancy or as additional Directors;
- d) Establishment of Board Committees, their membership and delegated authorities;
- e) Review of corporate governance principles and policies;
- f) Approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated
- g) Conflict of interest issues relating to a substantial shareholder or a Director;

- h) Material acquisitions and disposals of undertakings and properties not in the ordinary course of business;
- i) Material investments in capital projects;
- j) Annual budgets (including major capital commitments);
- k) Material corporate or financial exercise /restructuring; and
- l) Declaration of Dividend and Directors' fees.
- m) Appointment and removal of Company Secretary to be include as a matter reserved for the Board.

8.0 SEPARATION OF CHAIRMAN AND GROUP MANAGING DIRECTOR

The positions of Chairman and Group Managing Director ("GMD") are held by two different individuals. The Chairman is an Independent Non-Executive Director.

The roles of the Chairman and GMD of Zecon are distinct. The distinct and separate roles of the Chairman and CEO, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

8.1 The responsibilities of the Chairman amongst others include the following:-

- Leads the Board and is responsible for the effective performance of the Board
- Presides over Board and General Meetings of the Company;
- Responsible for the orderly conduct and running of the Board;
- Responsible for ensuring the integrity and effectiveness of the governance process of the Board as set out in the Code and for the full discharge of the Board's responsibilities;
- Responsible for maintaining regular dialogue with the Group Managing Director/Deputy Managing Director over all operational matters and consult with the Board promptly over any matter that gives him cause for major concern;
- Encourage all Directors to play an active role in Board activities and allowing dissenting views to be freely expressed;
- Liaise with the Group Managing Director and the Company Secretary on agenda for Board meetings;
- Responsible for initiating the establishment of Board Committees, ensuring proper committee structure and ensuring that the Committees achieve their objectives;
- Ensure proper flow of information to the Board, reviewing adequacy and timing of documentary materials in support of Management's proposals;
- Ensure effective relationships are maintained with all major stakeholders in the business;
- Fulfil such other responsibilities as are allocated by the Constitution from time to time.

8.2 The roles of the Group Managing Director are amongst others, include the following:-

- Primarily accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Group.
- Responsible for the formulation, development and implementation of the strategies for the Group and setting the overall strategic policy and direction of the Group's business operations based on effective risk management controls.
- Ensures that the financial management practice is performed at the highest level of integrity and transparency and that the business and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations.
- Provides effective leadership to the Group and is responsible for ensuring high management competency and that an effective management succession plan is in place to sustain continuity of operations.
- Act as the conduit between the Board and the Management in ensuring the success of the Company's governance and management functions.
- Implements the policies, strategies and decisions adopted by the Board.
- Maintaining effective communication programmes and dialogue with the stakeholders;
- Reporting to the Board on the key performance indicators in relation to the financial results, market conditions and other developments and

9.0 ROLES AND RESPONSIBILITIES OF INDIVIDUAL DIRECTORS

Directors are expected to comply with their legal, statutory and equitable duties and obligations when discharging their responsibilities as Directors. Broadly these include:-

- i) acting in good faith and in the best interests of the Company as a whole and for proper purpose;
- ii) acting with care and diligence of reasonable person subject to business judgement rule;
- iii) avoiding conflicts of interest with the Company in a personal or professional capacity;
- iv) refraining from making improper use of information gained through the position of Director and from taking improper advantage of the position of Director;
- v) disclosure of and abstaining from voting on matters of material personal interest; and
- vi) compliance with Corporation laws, securities legislation and Listing Requirements.
- vii) Directors will keep all Board information, discussions, deliberations and decisions that are not publicly known confidential and not use information gained through the Board for their interest, or their employers' interest.

10. ROLES AND RESPONSIBILITIES OF SENIOR INDEPENDENT DIRECTOR

The Board may appoint a Senior Independent Non-Executive Director to whom concerns pertaining to the Group may be conveyed by stakeholders. The duties of Senior Independent Director would typically include the following:-

- i) Ensure all Independent Directors have an 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;
- ii) Consult the Chairman regarding Board meeting schedules to ensure the Independent Directors can perform their duties responsibly and with sufficient time for discussion of all agenda items;
- iii) Serve as the principal conduit between the Independent Directors and the Chairman on sensitive issues, for example issues that arise from 'whistleblowing'; and
- iv) Serve as a designated contact for consultation and direct communication with shareholders and other stakeholders on areas that cannot be resolved through the normal channels of contact with the Chairman or GMD.

11. DELEGATION TO COMMITTEES

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a Director, employee or other person subject to ultimate responsibility of the directors under the Companies Act, 2016.

The Board delegates certain of its governance responsibilities to Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

The Company had established the following Board Committees to assist the Board in carrying out its responsibilities:-

- a. Audit Committee
- b. Remuneration & Nomination Committee
- c. Risk Management Committee

The functions of the Board Committees are set out in **Appendix A**.

The Board may also delegate specific functions to ad hoc committees as and when required.

12. RELATIONSHIP WITH MANAGEMENT

- a. Directors may delegate their powers as they consider appropriate through manual of delegations or manual of authorities. However, ultimate responsibility for strategy and control rests with the Directors as guided by the Group Managing Director.
- b. The Board will be supplied by Management with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.
- c. All Directors will be provided with advance notice of Board meetings.
- d. Every possible effort will be made to ensure that Board papers will be made available to all Directors attending.
- e. The Management may be invited from time to time to Board meetings, as the Directors deem necessary.
- f. The management function is conducted by, or under the supervision of, the Group Managing Director and Deputy Managing Director.

13. RIGHTS TO INFORMATION AND INDEPENDENT PROFESSIONAL ADVICE

The Board shall have direct and unrestricted access to all the Company's information, whether as a full Board or in their individual capacities. In furtherance of their duties, they also have direct and unrestricted access to Management. In further ensuring the effective working of the Board, all Directors also have individual and independent access to legal, financial, governance advice and dedicated services of the Company Secretary. The Board has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the authority to engage, at the Company's expense, such legal, accounting or other independent professional advisers, consultants or experts as it considers necessary from time to time in the performance of its duties in accordance with the agreed procedures laid down by the Board.

14. ROLES AND RESPONSIBILITIES OF COMPANY SECRETARY

The Board shall appoint a qualified Company Secretary to advise the Board on governance matters. The Company Secretary shall assist the Board and its Committees to perform its respective function effectively and in accordance with their terms of reference and best practices.

The roles and responsibilities of a Company Secretary are amongst others, as follows:

- Manages Board and Board Committee meeting logistics, attend and record minutes of Board and Committee Meetings and facilitate Board communications;
- Advises the Board on its roles and responsibilities;
- Ensures adherence to the Board and Committees policies and procedures;
- The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with company laws, rules, procedures and regulations relating thereto affecting the Group.

- Facilitates the induction of new Directors and assist in Director's training and development;
- Provides updates and advises the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;
- Manages processes pertaining to the annual shareholder meeting;
- Monitors Corporate Governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations (e.g. advising directors to abstain from decision making in conflict of interest situations);
- The Company Secretary should advise Directors of their obligations to adhere to matters relating to, among others:-
 - a) disclosure of interest in securities;
 - b) disclosure of any conflict of interest in a transaction involving the Company;
 - c) prohibition on dealing in securities; and
 - d) restriction on disclosure of price-sensitive information.
- Notifies the Chairman of any possible violations of regulatory requirements.
- The Company Secretary should ensure that meeting materials are circulated to the Directors at least 4 business days prior to the Board meetings and the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter. Upon conclusion of the meeting, the minutes are circulated in a timely manner.
- The Company Secretary is expected to constantly keep abreast with the evolving regulatory changes and developments in Corporate Governance through continuous training.
- The Board shall have unlimited access to the professional advice and services of the Company Secretary.

15. REVIEW

This Charter is to be reviewed by the Board as and when required. This Charter is approved by the Board of Directors at its meeting held on 25 August 2018.

"APPENDIX A"

FUNCTIONS/DUTIES OF BOARD COMMITTEES

(I) AUDIT COMMITTEE ("AC")

The duties and scope of the AC shall be to review the following and report the same to the Board:-

- with the external auditors amongst others, as follows
 - (i) the scope of their audit plan;
 - (ii) their evaluation of the system of internal control;
 - (iii) the audit reports on the financial statements;
 - (iv) the assistance given by the Company's employees to the external auditor;
 - (v) any letter of resignation from the external auditors; and
 - (vi) nomination of the external auditors and the determination of audit fees.
- the effectiveness of the internal control systems including the internal audit programmers, process, results of internal audit programmers, processes or investigation undertaken and whether or not appropriate actions have been taken on recommendations of internal audit functions.
- the quarterly results and year-end financial statements of the Company and the Group, prior to submission to the Board for approval, focusing particularly on:-
 - (i) changes in or implementation of accounting policy;
 - (ii) significant and unusual event; and
 - (iii) compliance with accounting standards and other legal requirements.
- any related party transactions and conflict of interest situation that may arise within the Company or Group.
- verify the allocation of options to employees under the relevant criteria decided by the Option Committee.
- any other functions as may be agreed by the Committee and the Board or as may be required or empowered by statutory legislation or guidelines issued by the relevant governing authorities.

(II) REMUNERATION & NOMINATION COMMITTEE ("RNC")

The responsibilities of the RNC are as follows:-

A. NOMINATION

- To determine the criteria for Board membership, including qualities, experience, skills, education and other factors that will best qualify a candidate to serve on the Board.
- To review annually and recommend to the Board with regards to the structure size balance and composition of the Board and Committees including the required mix of skills and experience, core competencies which directors should bring to the Board and other qualities to function effectively and efficiently.
- To consider, evaluate and propose to the Board any new board appointments, whether of executive or non-executive position. In making a recommendation to the Board on the candidate for directorship, the Committee shall have regard to:-
 - i) size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board and Group; and
 - ii) Non-executive directors should be persons of caliber, credibility and have the necessary skill and experience to bring an independent judgement to bear on issues considered the Board and that independent non-executive directors should make up at least one-third of the membership of the Board.
- To recommend to the Board the following:-
 - i) directors to be members of the Board Committee;
 - ii) whether directors who are retiring by rotation should be put forward for re-election; and
 - iii) termination of membership of individual directors in accordance with policy, for cause or other appropriate reasons.
- To ensure and appropriate framework and plan for Board succession for the Group.
- To establish appropriate plans for succession at Board level.
- To consider other matters as referred to the Committee by the Board.
- To facilitate Board induction and training for newly appointed directors.
- To review training programs for the Board.
- To facilitate achievement of Board gender diversity policies and targets.
- To develop the criteria to assess independency of the directors or relationship develops and evaluate/access its independent directors annually.

B. REMUNERATION

- To recommend the policy for remuneration as well as the terms of service of Executive Directors (“ED”) and Senior Management (“SM”).
- To evaluate performance and rewards for ED and SM.
- To ensure performance targets are established to achieve consistency with the interests of shareholders of the company, with an appropriate balance between long and short terms goals.
- To review the individual remuneration packages of the ED and SM, and to make the appropriate recommendations to the Board. The Remuneration package for the ED and SM is formulated to be competitive and realistic, emphasis being placed on performance.
- The remuneration of the Non-Executive Directors shall commensurate with the level of responsibilities undertaken by them and is for the Board as a whole to determine.

(III) RISK MANAGEMENT COMMITTEE ("RMC")

The responsibilities of the RMC are as follows:-

- Develop, implement, review and recommend to the Board for approval a systematic enterprise-wide Group Risk Management Policy Framework which specifies key policies and strategies.
- Identify, analyse, assess and monitor both inherent risks and controllable risks facing the entity/projects.
- Evaluate the adequacy of existing controls or in its absence, put in place the necessary controls that will address or manage these risks.
- Identify and implement controls and action plans to mitigate and reduce all major risk to a more manageable level according the company risk appetite.
- The remuneration of the Non-Executive Directors shall commensurate with the level of responsibilities undertaken by them and is for the Board as a whole to determine.
- To continuously monitor and review all risks affecting the Group every six (6) months interval
- To consider urgent and ad hoc critical risks issues and where appropriate to refer them to the Board with the risk action plans for immediate implementation.
- To review the Committee's Term of Reference every two (2) years.
- Receive and review sub-committee risk assessments report and action plans taken and to give recommendations for further action plans, if necessary.