



# **PARAMOUNT CORPORATION BERHAD**

(Registration No. 196901000222 (8578-A))

## **BOARD CHARTER**

(Revised: 23 December 2019)

and Terms of Reference of the following Board Committees:

- **AUDIT COMMITTEE** (Revised: 29 May 2020)
- **NOMINATING COMMITTEE** (Revised: 25 February 2021)
- **REMUNERATION COMMITTEE** (Revised: 27 February 2018)
- **BOARD RISK MANAGEMENT COMMITTEE** (Revised: 29 May 2020)

## **1. OBJECTIVES**

The enhancement of corporate governance standards is vital in achieving the objectives of transparency, accountability and effective performance for Paramount Corporation Berhad (**Paramount**) and its subsidiaries.

This Board Charter is established with the aim of enshrining the concepts of good governance as promulgated in the Malaysian Code on Corporate Governance, 2017 into the structure and activities of the Board of Directors of Paramount (**Board**), and formalising the Board's commitment to upholding the core values of the Company as well as the collective responsibility of the Directors in meeting the objectives and goals of the Company that are embodied in the Company's vision and mission, as defined herein:

### **Vision**

Changing lives and enriching communities for a better world

### **Mission**

- We deliver superior products and services that benefit society, and shape future generations of leaders and thinkers.
- We care for the safety and health of our people, and we believe in developing their talents through empowerment and enabling them to maximise their potential.
- We grow our businesses to deliver sustainable and responsible shareholder returns while ensuring that we continue to protect our environment.
- We must be bold in technological innovations to be market leaders in our core businesses.
- We will leverage on the synergies within our business ecosystem to create unique product offerings

### **Core Values**

- **Trust** We will strive to strengthen the faith that our shareholders, customers and the community have placed upon us to deliver sustainable returns.
- **Respect** We respect people as individuals, care for their well-being, and welcome diversity in capability and background. We encourage positive teamwork and expect everyone to be open, candid and constructive in their comments and suggestions and always seek to help our colleagues inside and outside Paramount.
- **Integrity** We expect to do what is right, not only what is allowed. We believe in absolute honesty and strong principles of uncompromising ethical and moral behaviour from everyone – our employees as well as those who do business with us. Integrity must not only be heard but must also be seen in action at all times.
- **Bravery** We must have the courage to stand up for what we believe in and be bold enough to venture into new areas and businesses.

- **Energy** We embrace the future with vitality and vigour, exhibiting innovativeness and entrepreneurship in the true spirit upon which the company was founded.

This Charter serves as a reference point for Board activities and should not be construed as a blueprint for Board operations. Just as each organisation has its own corporate culture, the dynamics of each Board are unique. The dynamics shift as the composition of the Board changes, and the Directors of the Company should always be open to new opportunities and ready to confront new challenges brought about by the changes.

This Charter is designed to provide guidance and clarity for Directors and management regarding the role of the Board and its committees, the requirements of Directors in carrying out their stewardship role and in discharging their duties as well as the Board's operating practices. This Charter does not overrule or pre-empt all statutory requirements that are stipulated in the Companies Act, 2016, the Income Tax Act 1967 or such other relevant statutes, including the conduct of the Board as set out in the Company's Constitution.

## **2. INTERPRETATION**

In this Charter, the words appearing in the left column of the following table shall bear the meanings in the right column:

▪ Act	: Companies Act, 2016
▪ Board	: Board of Directors of the Company
▪ Bursa Malaysia	: Bursa Malaysia Securities Berhad
▪ Charter	: this Board Charter
▪ Directors	: Directors of Paramount
▪ Group CEO	: Chief Executive Officer of the Company and Group
▪ Chairman	: Chairman of the Board
▪ Company Secretary	: Secretary of the Board
▪ Group	: Paramount and its subsidiaries
▪ Independent Non-Executive Director or INED	: as defined in the Listing Requirements
▪ Listing Requirements	: the Listing Requirements of Bursa Malaysia
▪ MCGG	: Malaysian Code on Corporate Governance, 2017
▪ Paramount or the Company	: Paramount Corporation Berhad
▪ management	: a team of management personnel of the Company and/or the Group
▪ shareholders	: shareholders of the Company

Words importing the masculine gender only shall include the female gender.

## **3. ROLE OF THE BOARD**

- 3.1 The Board is responsible for the stewardship of the Company's businesses and affairs on behalf of the shareholders with a view to enhance the Company's long-term shareholder value whilst taking into account the interests of other stakeholders, and maintaining high standards of transparency, accountability and integrity.

- 3.2 The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands, which matters include:
- i) strategic and sustainability considerations;
  - ii) performance reviews;
  - iii) material acquisition and disposal of assets;
  - iv) capital expenditure;
  - v) authority levels;
  - vi) treasury policies;
  - vii) risk management policies and framework;
  - viii) appointment of external auditors;
  - ix) announcements to Bursa Malaysia;
  - x) approval of the Company's consolidated financial statements, financing and borrowing activities;
  - xi) regulatory compliances;
  - xii) internal control policies and framework.
- 3.3 The Board shall establish an internal audit function, which is independent of the activities it audits, and identify a Head of Internal Audit who reports directly to the Audit Committee.
- 3.4 The principal responsibilities of the Board are:
- i) to review and adopt a strategic plan, addressing the sustainability of the businesses of the Group;
  - ii) to oversee the conduct of the Group's businesses and evaluate whether or not the businesses are being properly managed;
  - iii) to identify principal business risks faced by the Group and to ensure implementation of appropriate systems to manage such risks;
  - iv) to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of the Board and Executive Directors;
  - v) to develop and implement an investor relations programme or shareholder communications policy for the Company;
  - vi) to review the adequacy and the integrity of the Group's risk management and internal control framework as well as management information system, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
  - vii) to determine the remuneration of the Company's Executive and Non-Executives, with the individuals concerned abstaining from discussing their own remuneration; and
  - viii) to ensure that the Group adheres to high standards of ethics and corporate behaviour with reference to the Directors' Code of Ethics and the Company's Code of Business Conduct and Ethics.
- 3.5 In overseeing the conduct of the Group's businesses, the Board shall ensure that an appropriate financial planning, operating and reporting framework, as well as an embedded risk management and internal control framework, is established. Elements of this combined framework include the business plan and budget, financial statements, performance review reports, risk management reports and internal audit reports.

#### **4. BOARD STRUCTURE**

##### **4.1. Board Balance and Mix**

- i) The Board recognises the importance of independence and objectivity in its decision making process. To achieve this objective, at least one-third of the Board shall consist of Independent Non-Executive Directors (**INED**). Where the Chairman of the Board is not an INED, the Board should comprise a majority of INED's to ensure a balance of power and authority on the Board.
- ii) The Company's Articles of Association allow a minimum of three (3) and a maximum of fifteen (15) Directors. It is important for the Board to keep its size at a reasonable level. Boards that are too small or too large may significantly limit the level of individual participation, involvement and effectiveness. The Board shall, from time to time, examine its size and composition as well as the impact of its number and diversity, including gender diversity, on the Board's effectiveness.
- iii) The Board also recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to promote accountability and to facilitate a division of responsibilities. For this purpose, the office of Chairman of the Board and Group CEO shall be held by two different individuals.
- iv) The Board recognises the need for its composition to reflect a range of skills and expertise. High levels of professional skills and appropriate personal qualities are pre-requisites for directorship. Without limiting the foregoing, the qualifications for Board membership are:
  - a) ability to make informed business decisions and recommendations;
  - b) entrepreneurial talent for contributing to the creation of shareholders value;
  - c) relevant experience;
  - d) ability to appreciate the wider picture;
  - e) ability to ask probing operational related questions;
  - f) high ethical standards in dealing with potential conflict of interest situations;
  - g) sound practical sense, and
  - h) a commitment to serve the Company with due diligence and integrity.

In addressing this, the Board shall consider the recommendations of the Nominating Committee pertaining to nominees for directorship in the Company.

- v) For the assessment and selection of Directors, the Nominating Committee shall consider the potential Director's character, experience, competence, integrity and time as well as the following factors:
  - a) skills, knowledge, expertise and experience;
  - b) professionalism;
  - c) commitment;
  - d) contribution and performance;
  - e) integrity; and
  - f) in the case of candidates for the position of an INED, the Board shall also evaluate the candidate's ability to discharge such responsibilities and/or functions as are expected of an INED.
- vi) The Board identifies and appoints from amongst its members a Senior Independent Non-Executive Director, to whom the concerns of Directors and shareholders may be conveyed.

The name of the Senior Independent Non-Executive Director shall be disclosed in the annual reports of the Company.

#### **4.2 Role of the Chairman**

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

- i) representing the Board to shareholders and ensuring that appropriate steps are taken to provide effective communication with stakeholders so that their views are communicated to the Board as a whole;
- ii) instilling the practice of good corporate governance, and leading the board in establishing and ensuring the adequacy and integrity of the governance process;
- iii) Leading the Board in its oversight on management by maintaining regular dialogue with the Group CEO over operational matters and consulting with the other members of the Board promptly over matters, if any, that the Chairman may deem as major concerns to the Company and/or the Group;
- iv) providing leadership so that the Board can perform its functions effectively by:
  - a) setting the agenda for Board meetings;
  - b) ensuring that the Board members receive complete and accurate information in a timely manner to facilitate informed decision-making;
  - c) leading all Board meetings and Board discussions;
  - d) ensuring that no Director, whether Executive or Non-Executive, dominates the Board discussions;
  - e) ensuring that appropriate discussions take place and that relevant opinions amongst the Board members are forthcoming;
  - f) ensuring that the Board discussions result in logical and understandable outcomes;
  - g) ensuring that all Directors are enabled and encouraged to participate at Board meetings;
  - h) ensuring that Executive Directors look beyond their executive functions and accept their full share of the responsibility of governance;
  - i) guiding and mediating the Board's actions with respect to organisational priorities and governance concerns; and
- v) performing such other functions as may be assigned by the Board from time to time.

#### **4.3 Role of the Executive and Non Executive Directors**

Executive Directors are, as employees, involved in the day-to-day management of the Company and Group whilst Non-Executive Directors are Directors:

- i) who do not have any direct or indirect pecuniary interest in the Company other than their Directors' emoluments as approved by the shareholders and their 'permitted' shareholdings in the Company;
- ii) who are not employees of the Company or affiliated with it in any other way and are not involved in the day-to-day running of the Group's businesses but may have pecuniary interest; or
- iii) who are not employees of the Company but are standing as nominees for substantial shareholders.

The Act makes no distinction between Executive and Non-Executive Directors in terms of the legal duties that are imposed on Directors.

Non-Executive Directors may act as a bridge between management, shareholders and other stakeholders. They should provide the relevant checks and balances, focusing on the interests of shareholders and other stakeholders, and ensuring that high standards of corporate governance are applied.

#### **4.4 Role of Independent Non-Executive Directors**

INED's are essential for protecting the interests of shareholders in that they provide detached impartiality to the Board's decision making process. Since INED's do not have any conflict of interest, they ought to, in the discharge of their duties, approach approvals for transactions or other matters, that are being sought at the Board level with a watchful eye and with an inquiring mind.

INED's are especially important in areas where the interests of management, the Company and/or shareholders diverge, such as executive performance and remuneration, related party transactions and audit.

It is important to bear in mind that Bursa Malaysia emphasises that even if a person does not fall within any of the disqualifying indicators as defined in the Listing Requirements, the Directors and the Board must give effect to the spirit, intention and purpose of the definition of an INED. There must be a conscious application of the test on whether an INED is able to exercise independent judgment and act in the best interest of the Company.

The attributes of collegial yet independent decision-making vested in INED's will be determined in part by the character of the individual INED's and that of the whole ethos of the Board.

#### **4.5 Role of the Senior Independent Non Executive Director**

In addition to being the designated Director to whom concerns on the Company may be conveyed, the Senior INED shall play the role as a sounding board for the Chairman, as an intermediary for other Directors when necessary, and as a point of contact for shareholders and other stakeholders.

#### **4.6 Role of the Group CEO**

- i) The position of Group CEO, in essence, is to ensure the effective implementation of the Group's strategic plan and policies established by the Board as well as to manage the daily conduct of the Group's businesses and to ensure its smooth operations.
- ii) The Group CEO is accountable to the Board for the achievement of the Group's goals and objectives, and he is accountable to the Board for the observance of management's authority limits.
- iii) At each of the scheduled Board meetings, the Board should expect to receive from the Group CEO:
  - a) summary reports on the performance and activities of the Group and specific proposals for capital expenditure, acquisitions and disposals; and
  - b) such assurances as the Board considers necessary to confirm that management's authority limits are being observed.

- iv) The Group CEO is expected to act within all specific authorities delegated to him by the Board.
- v) Generally, the Group CEO is responsible for the following:
  - a) executive management of the Group's businesses, covering, inter-alia, the development of a sustainable strategic plan, an annual business plan and budget, performance benchmarks to gauge management's performance, and an analysis of management's reports;
  - b) developing long-term strategic and short-term profit plans, designed to ensure that the Group's requirements for growth, profitability and return on capital are achieved;
  - c) directing and controlling all aspects of the Group's business operations in a cost effective manner;
  - d) effectively overseeing the human resource of the Group with respect to key positions, and ensuring the general well-being of employees, including the determination of remuneration as well as the terms and conditions of employment for senior management personnel and issues pertaining to discipline of employees;
  - e) effectively representing the interests of the Group with major customers, the government and its agencies, and industries at large to ensure general goodwill towards the Group and cooperation in the Group's planned developments;
  - f) assuring that the Group's corporate identity, products and services are of high standards and are reflective of the market environment;
  - g) providing assistance to members of the Audit, Nominating, Remuneration and Board Risk Management Committees, as and when required, in the discharge of their duties; and
  - h) assisting the Chairman in organising the agenda for Board meetings and information needed by the Board for deliberation at the Board meetings.

In discharging the above responsibilities, the Group CEO is free to delegate such appropriate functions to any other management personnel, who shall report directly to him.

#### **4.7 Tenure of Directors**

- i) All Directors shall retire at least once in every three (3) years but shall be eligible for re-election provided that all Directors above the age of 75 years and all INED who have served on the Board for more than 12 years shall not be eligible for re-election.
- ii) Shareholders' approval shall be obtained annually for an INED who has served for a period of more than nine years to remain in office as an INED up to the twelfth year, after which time, his tenure of service on the Board shall expire at the nearest annual general meeting of the Company.

#### **4.8 Company Secretary**

- i) The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board recognises the fact that the Company Secretary should be suitably qualified and capable of carrying out the duties required for the post.

- ii) The key role of the Company Secretary is to provide advice to the Board and the Board Committees on their responsibilities in accordance with applicable laws and regulations and their respective terms of reference to enhance the effective functioning of the Board and the Board Committees.
- iii) The primary responsibilities of the Company Secretary shall include:
  - a) ensuring that all Board procedures and applicable rules and best practices are observed, including the compilation of all meeting materials for circulation to the Directors at least five (5) business days prior to the Board and Board Committee meetings;
  - b) maintaining records of the Board and ensuring effective management of the Company's statutory records;
  - c) preparing comprehensive minutes to document Board proceedings and ensuring that deliberations and decisions are accurately recorded;
  - d) monitoring corporate governance developments and assisting the Board in applying the governance practices;
  - e) facilitating the induction of new Directors and assisting in arrangements for Directors' continuous professional development (**CPD**) programmes; and
  - f) carrying out such other functions as directed by the Board from time to time.

#### **4.9 Board Committees**

The Board reserves the right to establish committees from time to time in the discharge of its duties and responsibilities. Where a committee is formed, specific terms of reference of the committee shall be established in writing to cover matters such as the objectives, composition, functions and authority of the committee.

The following four Board Committees shall be established with written specific terms of reference:

i) **Audit Committee**

The Audit Committee assists and supports the Board's responsibility in overseeing the Group's operations by providing a means for review of the Group's processes for producing financial data, its internal controls and the independence of external as well as internal auditors. The terms of reference of the Audit Committee are annexed hereto as **Appendix I**.

ii) **Nominating Committee**

The Nominating Committee oversees matters relating to the nomination of new Directors, the Board's composition and its required mix of skills, the Board's succession and diversity plans, CPD programmes attended by the Directors, the annual self and peer assessment of Directors, the Board, the Board Committees, the Chairman and the Group CEO. It also assesses the eligibility of Directors for re-election or reappointment by the shareholders. The terms of reference of the Nominating Committee are annexed hereto as **Appendix II**.

iii) **Remuneration Committee**

The Remuneration Committee is primarily responsible for recommending to the Board the remuneration of Executive Directors, Non-Executive Directors and senior management in all its forms, drawing from outside advice if necessary. The terms of reference of the Remuneration Committee are annexed hereto as Appendix III.

iv) **Board Risk Management Committee**

The Board Risk Management Committee assists the Board in fulfilling its duty to ensure that adequate measures are put in place to address and manage the principal risks of the Group. The terms of reference of the Board Risk Management Committee are annexed hereto as Appendix IV.

**4.10 The Board's Relationship with Shareholders and Stakeholders**

- i) The Board shall maintain an effective communications policy that enables both the Board and management to communicate effectively with shareholders, other stakeholders and the general public.
- ii) It is the role of the Board to ensure that all general meetings of the Company are conducted in an efficient manner and serve as a crucial mechanism for shareholder communications. Key ingredients behind this include the supply of comprehensive and timely information to the shareholders and the encouragement of active participation at the general meetings. The Board will focus its efforts on the following best practices to enhance the effectiveness of the general meetings:
  - a) ensures that each item of special business included in the notice is accompanied by a full explanation on the effects of the proposed resolution;
  - b) ensures that the notice of meeting states which Directors are standing for re-election with a full explanation on the Board's proposal for the re-election, if necessary;
  - c) ensures that any proposed resolution to the shareholders for an INED to remain in office as an INED after having served the Board for more than nine years or twelve years, as the case may be, shall be accompanied by a justification of the said proposal;
  - d) ensures that the Chairman provides reasonable time for discussion at the general meetings, and where appropriate, the Chairman shall undertake to provide the enquirer with a written answer to any significant question which cannot be answered immediately;
  - e) ensures that all proposed resolutions are put to voting by poll at the general meetings, and the poll results are announced before the conclusion of the meetings;
  - f) ensures that there is a channel of communication through the Company Secretary on feedback and queries from shareholders; and
  - g) ensures that the Chairman presides as the chairman of all general meetings.

**5 BOARD PROCESSES**

**5.1 Board Meetings**

- i) Meetings of the Board will be conducted at least once in every quarter of the year. The Company Secretary shall prepare in advance and distribute to all Directors a proposed schedule for the meetings. The Company Secretary is encouraged to prepare an annual work plan to be disseminated to all Directors at the beginning of each year. The Company

Secretary shall work with the Chairman and the Group CEO in developing the annual work plan.

- ii) Additional meetings may be convened by order of the Chairman or upon the request of any Director to table matters of urgency, and the Company Secretary shall upon receipt of such an order or request, despatch the notice of the meeting to all members of the Board within the notice period generally applied to all Board meetings as stipulated in this Charter.
- iii) The Chairman shall preside at all meetings of the Board. If Chairman is not present within half an hour, the Directors shall elect one (1) of their number to act as chairman of the meeting.
- iv) All Board members are required to attend the Board meetings. Senior management personnel may be invited to attend the meetings or specifically for items that are within their respective scope of responsibility. The Board may also invite external parties such as the external auditors, solicitors and consultants as and when the need arises. Questions arising at any meeting of the Board shall be decided by a majority of votes.
- v) Resolutions passed at a meeting or adjourned meeting of the Board shall be adopted by all Directors present. In the event decisions are required from the Board at intervals between the scheduled Board meetings, such matters shall be resolved by way of circular resolutions in writing, and such circular resolutions in writing shall be valid and effective as if they had been approved and adopted by all members of the Board at a Board meeting.
- vi) The Directors may participate in a Board meeting by way of telephone or video conferencing, and Directors who participate in the meeting in such a manner shall be deemed to be present in person at the meeting. The Directors participating in any such meeting shall be counted in the quorum for the meeting. All resolutions agreed upon by the Directors at such a meeting shall be deemed to be as effective as a resolution passed at a meeting of the Board duly convened and held provided that all information and documents must be made equally available to all participants prior to, at, or during the meeting.
- vii) A Director shall abstain from deliberation and voting on contracts or proposed contracts or arrangements in which he has a direct or indirect interest. A Director may vote on contracts or proposed contracts or arrangements with any company that is an associate company of Paramount provided that he does not have any interest as a shareholder of that associate company except as an officer of that associate company to represent Paramount's interest.

## **5.2 Agenda**

- i) The notice of a Board meeting shall be given in writing at least five (5) business days, or shorter notice where it is unavoidable, prior to the meeting. The Chairman shall undertake the primary responsibility for determining the Board's agenda. The agenda shall include, amongst other things, matters specifically reserved for the Board's decision. The Company Secretary shall record the Board's deliberation on matters raised and decisions made at the Board meetings.
- ii) The agenda shall address high-priority strategic and operational matters, and the Chairman shall ensure that there is enough time for Board deliberation on the items tabled at the meetings. The agenda items shall be aligned with the overall objectives and goals of Company.

**5.3 Meeting Papers**

- i) To allow sufficient time for Directors to peruse the relevant information needed for deliberation at the Board meetings, all Board papers and agenda items shall be circulated to the Directors at least five (5) business days prior to the meeting. Where there is a need to table a proposal, a brief statement on recommendations must be prepared and circulated to the Board members.
- ii) Minutes are prepared following a Board meeting and are circulated together with the Board papers for review and confirmation at the following meeting. The minutes of the meetings should accurately reflect the deliberations and decisions of the Board, including whether any Director had abstained from voting or deliberation on a particular matter.

**5.4 Access to Information**

- i) All reports, proposals and materials presented or submitted to the Board shall be kept by the Company Secretary, together with the minutes of the meetings, and are accessible to all Directors.
- ii) All Directors have the same right of access to information that is relevant to the performance of their duties and responsibilities, and any request for information that is in addition to those that have been duly circulated to all Directors shall be made in writing to the Chairman.

**5.5 Independent Professional Advice**

- i) The Board as well as any Director is entitled to obtain independent professional advice relating to the affairs of the Group or to his responsibilities as a Director.
- ii) If a Director considers such advice as necessary for the discharge of his duties and responsibilities and for the benefit of the Company, the Director shall first discuss it with the Chairman and, having done so, shall be free to proceed, where appropriate.
- iii) Subject to the prior approval of the Chairman, the cost of the advice will be reimbursed by the Company but the Director will ensure, so far as is practicable, that the cost is reasonable.

**5.6 Appointment, Vacation of Office and Removal of Directors**

- i) Upon the appointment of a Director, the said Director shall provide to Bursa Malaysia an undertaking prescribed by Bursa Malaysia within the required timeframe.
- ii) A Director shall not be considered fit for directorship if he:
  - a) has been convicted by a court of law, whether in Malaysia or elsewhere, for an offence in connection with the promotion, formation or management of a Company;
  - b) has been convicted by a court of law, involving fraud or dishonesty where the conviction involved a finding that he has acted fraudulently or dishonestly; or
  - c) has been convicted by a court of law for an offence under the securities laws of Malaysia or the Act.

within a period of five (5) years from the date of conviction or if sentenced to imprisonment, from the date of release from prison.

- iii) The office of a Director shall become vacant if the Director:

- a) ceases to be a Director by virtue of the Act;
  - b) resigns by notice in writing, which notice is sent to or left at the registered office of the Company;
  - c) is absent from more than 50% of the total number of Board meetings held in one financial year unless approval is obtained from Bursa Malaysia;
  - d) is removed from office as a Director by a resolution of the Company in a general meeting of which special notice has been given;
  - e) becomes of unsound mind or is a person whose estate is dealt with in any way under the law relating to mental disorder;
  - f) becomes bankrupt or makes any arrangement or composition with his creditors;
  - g) becomes prohibited from being a Director by reason of any order made under the provisions of the Act;
  - h) without the consent of the Company in general meeting holds any other office of profit under the Company;
  - i) is directly or indirectly interested in any contract or proposed contract with the Company and fails to declare the nature of his interest in the manner required by the Act; or
  - j) is convicted by a court of law, whether in Malaysia or elsewhere, in relation to the offences listed in paragraph 5.6 (ii) above.
- iv) Where a Director is removed from office, the Company must forward to Bursa Malaysia a copy of any written representation made by the Director at the same time as a copy of which is sent to the shareholders, unless not required pursuant to the Act.

#### **5.7 Induction Process and CPD Programmes**

- i) The objective of the induction process is to provide newly appointed Directors with a rapid and clear insight into the Group. The induction process may include the following:
  - a) sessions with other Directors, the Chairman, the Group CEO and the Company Secretary to gather further insights into and knowledge of the Company;
  - b) access to a copy each of the minutes of the last three (3) Board meetings and Board Committee meetings, if applicable;
  - c) visits to key business and project sites;
  - d) presentations by key senior management personnel on operational activities.
  - e) All newly appointed Directors shall undergo the mandatory accreditation programme required by Bursa Malaysia.
- ii) CPD programmes are necessary to keep the Directors abreast of latest developments in the market place as well as regulatory requirements and best practices pertaining to the oversight function of Directors. This will enable the Directors to discharge their duties and responsibilities effectively. The Nominating Committee shall review the CPD needs of the Directors annually.
- iii) The costs of the induction programme, the mandatory accreditation programme and relevant CPD programmes shall be borne by the Company.

#### **5.8 Directors' External Commitments and Conflict of Interest**

- i) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Group shall declare his interest in accordance with the provisions of the Act.

- ii) The Director concerned shall not participate in all deliberations and shall abstain from voting on any matter in which he has an interest.
- iii) Should there be an actual, potential or perceived conflict of interest between the Group and a Director, or a person connected with a Director, the Director involved shall make full disclosure and act honestly in the best interest of the Company.
- iv) An actual, potential or perceived conflict of interest shall not necessarily disqualify an individual Director from the Board provided that full disclosure of the interest has been made in good faith and with due honesty.
- v) The Company shall ensure that the Directors have the character, experience, integrity, competence and time to effectively discharge their respective roles.
- vi) All Directors shall devote sufficient time to carry out their responsibilities, and are expected to commit at least four (4) days per year to attending Board or Board Committee meetings. The Board should obtain this commitment from the Directors at the time of their appointment to the Board.
- vii) The Directors shall notify the Chairman before accepting any new directorship in other public companies listed on Bursa Malaysia (**listed issuers**), and discuss with the Chairman as to whether his time commitment to the Company would be affected by the new directorship.
- viii) A Director shall not hold more than five (5) directorships in listed issuers or such lesser number as required by Bursa Malaysia.
- ix) All INED's shall make an annual declaration of independence and all Directors shall re-affirm their adherence to the requirements as outlined in the above paragraphs.

#### **5.9 Representation of the Company**

- i) The Board entrusts management to speak on behalf of the Company and to manage the communication of information to investors, other stakeholders and the public in an orderly and effective manner whilst adhering, at all times, to relevant laws and regulatory requirements. The Board authorises the Chairman and the Group CEO to be the Company's official spokespersons.
- ii) The Company shall consider the use of information technology in communicating with stakeholders, including a dedicated section for Investor Relations on the Company's website.

#### **5.10 The Company's and Management's Limits**

- i) The Board operates pursuant to the powers and is subject to the rules set out in the Company's Memorandum and Articles of Association.
- ii) Management is expected to act within all specific authorities delegated to it by the Board. In addition, management is expected to not cause or permit any practice, activity or decision that is contrary to commonly accepted good business practices or professional ethics.

**5.11 Directors' Code of Ethics**

The Board shall ensure that the Company upholds high standards of ethics and corporate behaviour. A governing board is in a position of trust, in that it holds in trust not only the organisation's physical and intellectual assets but also the efforts of their predecessors, and it preserves and grows these assets for the current and future generations. Its stewardship will protect the organisation from harm and steer it towards positive achievement.

In view thereof, the Directors should commit to serving the Company with due diligence and integrity by observing the code of conduct as outlined in the Directors' Code of Ethics duly formulated by the Board.

**6. REVIEW**

The Board shall review this Charter together with the Terms and Reference of the four Board Committees once in every three (3) years or as and when the need arises to ensure that it continues to remain relevant and effective in meeting the objectives as highlighted herein.

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## PARAMOUNT CORPORATION BERHAD

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

(Revised: 29 May 2020)

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**1. Objective**

The Audit Committee (**AC**)'s primary objective is to assist the Board of Directors (**the Board**) of Paramount Corporation Berhad (**Paramount** or **the Company**) in the effective discharge of its fiduciary responsibilities for corporate governance, timely and accurate financial reporting and development of sound internal controls.

**2. Members**

- i) The AC shall be appointed by the Board from amongst their number, and be subject to the following requirements:
  - a) the AC shall comprise no fewer than three (3) members;
  - b) all members of the AC must be Non-Executive Directors with a majority of Independent Non-Executive Directors; and
  - c) at least one member of the AC must be a member of the Malaysian Institute of Accountants.
- ii) The Chairman of the AC shall be an Independent Non-Executive Director, and he shall not hold the office as Chairman of the Board.
- iii) No alternate Director shall be appointed as a member of the AC.
- iv) Any vacancy in the AC resulting in non-compliance with the above requirements must be filled within three (3) months.
- v) No former partners of the external auditors of the Paramount Group (**the Group**) shall be appointed as a member of the AC unless a cooling-off period of at least two (2) years have been observed.

**3. Meetings**

- i) The AC shall meet on a quarterly basis or at more frequent intervals as required to consider matters within these Terms of Reference. The meetings shall have a quorum of three (3) members, a majority of whom must be Independent Non-Executive Directors.
- ii) The AC shall meet with the external and internal auditors without the presence of executive board members at least twice a year.
- iii) Other directors and employees may attend any particular AC meeting only at the AC's invitation specific to the relevant meeting.
- iv) The AC shall record its conclusions on issues discussed at the meetings and report to the Board at the quarterly Board meetings.

The Chairman of the AC should engage on a continuous basis with senior management such as the Group Chief Executive Officer, the Chief Financial Officer and the Head of Internal Audit as well as the external auditors in order to keep abreast of matters affecting the Group.

#### 4. Authority

The AC is hereby authorised by the Board to:

- i) investigate any matters within its terms of reference;
- ii) have resources which are required to perform its duties;
- iii) have full and unrestricted access to any information pertaining to the Company and the Group;
- iv) have direct communication channels with the external auditors and internal auditors; and
- v) obtain independent professional or other advice as it deems necessary.

#### 5. Reporting of breaches to the Exchange

Where the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad (**the Exchange**), the AC shall promptly report such matter to the Exchange.

#### 6. Functions and duties

The functions and duties of the AC shall be as follows:

##### Financial Reporting

- i) To review the quarterly and year-end consolidated financial statements of the Company with management and the external auditors, focusing particularly on:
  - a) changes in accounting policies and practices that affect the Group;
  - b) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are addressed;
  - c) significant adjustments arising from the year-end audit;
  - d) the going concern assumption, and
  - e) compliance with accounting standards and other legal requirements.

##### External Auditors

- ii) To consider the suitability, objectivity and independence of the external auditors for appointment or re-appointment, the audit fee and non-audit fees, any question of resignation or dismissal. The evaluation of the external auditors is supported by an assessment conducted by management which includes the auditors' professionalism, technical expertise, competence, audit quality and resource capacity in relation to the year-end audit;
- iii) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensures co-ordination where more than one audit firm is involved;

- iv) To discuss problems and reservations arising from the interim and final audits, and any matter that the auditors may wish to discuss (in the absence of management where necessary);
- v) To review key audit matters, if any, and the external auditors' management letter and management's response to the letter;
- vi) To discuss with the external auditors on contracts for their provision of non-audit services to the Group;
- vii) To review the external auditors' written assurance confirming that they are, and have been independent throughout the conduct of the audit engagement in accordance with terms of all relevant professional and regulatory requirements;
- viii) To review the assistance given by the Group's officers to the external auditors for the year-end audit.

#### Internal Audit

- ix) To review and conduct periodic testing on the adequacy and effectiveness of the Company's internal control framework.
- x) To review the adequacy of the scope, functions, resources and performance of the internal audit function, and that it has the necessary authority to carry out its work;
- xi) To decide on the appointment and removal of the internal auditor, the scope of work, performance evaluation and budget for the internal audit function;
- xii) To review the internal audit plan, processes and results of the internal audit assessment and/or investigation undertaken, and whether appropriate actions are taken on the recommendations of the internal audit function;
- xiii) To consider major findings of internal investigations and management's response to the findings;
- xiv) To review the independence and objectivity of internal audit personnel to ensure that the activities of the internal audit function are free from conflict of interest;
- xv) To take cognizance of resignations of senior internal audit staff members and to provide the staff an opportunity to submit his/her reasons for resigning.

#### Related Party Transactions

- xvi) To consider any related party transactions and conflict of interest situations that may arise within the Company or Group, including any transaction, procedure or conduct that raises questions of management integrity;

#### Others

- xvii) To review matters referred to the AC as set out in the Whistleblower Policy and the Anti-Bribery and Corruption Policy of the Company;
- xviii) To consider any other matters deemed fit by the AC within these Terms of Reference and/or as defined by Board.

**7. Review of the Audit Committee**

The Nominating Committee shall review the term of office and performance of the AC and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with these Terms of Reference.

**8. Secretary**

The Company Secretary shall be the secretary of the AC.

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## PARAMOUNT CORPORATION BERHAD

## TERMS OF REFERENCE OF THE NOMINATING COMMITTEE

(Revised: 25 February 2021)

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**1. Objective**

The primary objective of the Nominating Committee (**NC**) of Paramount Corporation Berhad (**Paramount** or the **Company**) is to assist the Board of Directors (**Board**) in the following areas:

- i) propose new nominees for Board appointment although the decision on such appointments shall be the collective responsibility of the Board after taking into consideration the recommendations of the NC;
- ii) assess the effectiveness of the Directors of the Company on an ongoing basis;
- iii) review the effectiveness of the Group Chief Executive Officer (**CEO**); and
- iv) assess the size and composition of the Board.

**2. Membership**

- i) The NC shall be appointed by the Board from among their number and shall comprise exclusively Non-Executive Directors of not fewer than three (3).
- ii) A majority of the members of the NC shall be Independent Non-Executive Directors (**INED**), and the Chairman of the NC shall be an INED.
- iii) In the event of any vacancy in the NC resulting in the number of members being reduced to below three (3), the Board shall, within three (3) months fill the vacancy.
- iv) The terms of office and performance of the NC and each of its members shall be reviewed by the Board at least once in every three (3) years, or as and when the need arises.

**3. Meetings**

- i) The Committee shall meet at least once a year. However additional meetings may be called at any time at the discretion of the Chairman of the NC.
- ii) The quorum for all NC meetings shall be three (3) members, a majority of whom shall be INEDs.

**4. Functions and duties**

The duties of the NC shall be as follows:

- i) To identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise. In identifying Board candidates, the NC may refer to sources from existing Board members, major shareholders of the Company and independent search firms. In making its recommendations, the NC shall assess and consider the following attributes or factors:
  - a) skills, knowledge, expertise and experience;
  - b) professionalism;
  - c) commitment (including time commitment) to effectively discharge his/her role as a Director with due diligence;
  - d) contribution and performance;
  - e) background, character, integrity, and competence;

- f) the existing number of directorships held by the candidate;
  - g) in the case of candidates for the position of INED, the NC shall also evaluate the candidates' ability to discharge such responsibilities and functions as are expected of an INED;
  - h) Boardroom diversity including gender diversity; and
  - i) the size of the Board.
- ii) To make recommendations to the Board on the appointment of the Group CEO and the Senior INED, including an assessment of the time commitment expected from them.
  - iii) To review and define the orientation and induction programmes for new Directors.
  - iv) To develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors.
  - v) To recommend to the Board, Directors to fill the seats on Board Committees.
  - vi) To assess the attendance and continuous professional development needs of the Directors.
  - vii) To review and make recommendations to the Board on succession planning policies for the Board, the Chairman, the Group CEO and senior management.
  - viii) To review annually the required mix of skills, experience and other qualities of the Board, including core competencies which Non-Executive Directors should bring to the Board.
  - ix) To assist the Board in implementing a procedure to be carried out annually to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each Director, the Chairman and the Group CEO. All assessments and evaluations carried out by the NC shall be properly documented and reported to the Board with recommendations for areas of improvement, if any.
  - x) To assess annually the independence of the INED's. A Director would not be considered as an 'Independent Director' if:
    - a) the Director has been an employee of the Company and/or any related corporation (**Group**) within the preceding two (2) years;
    - b) the Director has a material business relationship with the Group either personally or with other persons or through a firm or company in which he is a partner, director (except as an independent director) or major shareholder (**Entity**) within the last three (3) calendar years. 'Material business relationship' means that the consideration of the business transaction is more than 5% of the gross revenue on a consolidated basis (where applicable) of the Director or the Entity or RM1.0 million, whichever is higher, based on the income tax returns of the Director or the Entity submitted to the Inland Revenue Board for the last three (3) calendar years; or
    - c) the Director has not complied with the definition of 'Independent Director' in the Listing Requirements of Bursa Malaysia Securities Berhad.
  - xi) To assess the eligibility of Directors who retire by rotation for re-election at the Company's annual general meetings.
  - xii) To make the necessary recommendations to the Board concerning the continuation in office, suspension or termination of service of any Director (subject, in the case of

Company employees to the provisions of their service contracts, if any) including Directors who have served the Board for a period of nine (9) years and above.

- xiii) To review the size of Non-Executive participation and Board balance, and to determine if additional Board members are required and also to ensure that at least one-third of the Board is independent.
- xiv) To determine the core competencies and skills required of the Board members to best serve the business and operations of the Group as a whole and the optimum size of the Board to reflect the desired skills and competencies.
- xv) To recommend to the Board the Company's gender diversity policies and targets, and to discuss measures to be taken to meet those targets.
- xvi) To report to the Board on succession planning for the Board, the Board chairmanship and the Group CEO office, and to work with the Board to evaluate potential successors.
- xvii) To recommend to the Board protocol for accepting new directorships.
- xviii) To introduce such regulations, guidelines or procedures to function effectively and fulfil the Committee's objectives.
- xix) To review, at least once a year, its own performance and Terms of Reference to ensure that it is operating at maximum effectiveness, and to recommend any changes as it considers necessary to the Board for approval.

## **5. Board Succession Planning**

The NC shall:

- i) keep under review the leadership needs of the Company, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- ii) give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- iii) make recommendations to the Board concerning the succession plans for Executive Directors, including the Chairman of the Board and the Group CEO.

## **6. Authority**

The NC is authorised by the Board to seek appropriate professional advice inside and outside the Group as and when it deems necessary at the expense of the Company.

## **7. Reporting**

The Chairman of the NC shall report on its activities to the Board.

## **8. Secretary**

The Company Secretary shall be the Secretary of the NC.

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## PARAMOUNT CORPORATION BERHAD

## TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

(Revised: 27 February 2018)

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**1. Objective**

The primary objective of the Remuneration Committee (**RC**) of Paramount Corporation Berhad (**Paramount or the Company**) is to recommend to the Board the remuneration packages of Executive Directors and Non-Executive Directors of the Company and its subsidiaries (**Group**) to attract, retain and motivate Directors.

The RC shall ensure that the Company's Directors are fairly rewarded for their individual and team contributions to the Company's overall performance, and that the levels of remuneration are sufficient:

- i) to attract and retain Directors to direct the Company successfully;
- ii) to demonstrate to all stakeholders that the remuneration packages of the Executive Directors of the Company are determined by a committee of Board members who have no personal interest in the outcome of their decisions, and who will give due regard to the interest of the shareholders and to the financial and commercial health of the Company.
- iii) to ensure that all Executive Directors, the Group Chief Executive Officer (**CEO**) (where the CEO is not a Director of the Company) and senior management are fairly rewarded for their individual and team contributions to the Company's overall performance and that the remuneration be commensurate with the level of executive responsibility and is appropriate in light of the Company's performance.

**2. Membership**

- i) The RC shall be appointed by the Board from among their number and shall be composed of not fewer than three (3) members.
- ii) A majority of the members of the RC shall be Non-Executive Directors or any person not having any relationship, which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the functions of the RC.
- iii) The members of the RC shall elect a Chairman from among their number who is not an Executive Director of the Company.
- iv) In the event of any vacancy in the RC resulting in the number of members being reduced to below three (3), the Board shall, within three (3) months fill the vacancy.

**3. Meetings**

- i) The RC shall meet at least once a year. However, additional meetings may be called at any time at the discretion of the Chairman of the RC.
- ii) The quorum for all RC meetings shall be three (3) members, a majority of whom shall be Non-Executive Directors.

#### 4. Attendance

- i) The Group CEO may be invited to attend the RC meetings to discuss the performance of Executive Directors and make proposals as necessary. Executive Directors should play no part in any decision on their own remuneration.
- ii) The RC may appoint external consultants to assist the RC in the discharge of its duties.

#### 5. Functions and duties

- i) To recommend to the Board the remuneration of all members of the Board and senior management.
- ii) To decide on the following aspects of the remuneration of the Executive Directors and senior management:
  - a) basic salary;
  - b) bonus payment;
  - c) share grants;
  - d) any other benefits; and
  - e) compensation for early termination.
- iii) Ensure that a fair differential between the remuneration of Board members and other levels of management is maintained.
- iv) Conduct continued assessment of individual Executive Directors to ensure that their remuneration are directly related to corporate and individual performance.
- v) Obtain advice and information from external sources, if necessary, to compare the remuneration currently earned by the Executive Directors and those paid to Executive Directors of other companies of a similar size in a comparable industry sector.
- vi) To ensure that the base salaries paid to the Executive Directors and senior management are competitive but fair.
- vii) To advise on the formation of a suitable performance related mechanism to measure the individual performance of Executive Directors and senior management, such as against the Company's profit performance or earnings per share, etc.
- viii) To provide an objective and independent assessment of the benefits granted to Executive Directors.
- ix) To consider details of the Executive Directors' remuneration that should be reported, in addition to the legal requirements, and the manner in which the details of which are to be presented in the Company's annual reports.
- x) To introduce any regulation, which would enable the smooth administration and effective discharge of the RC's duties and responsibilities.
- xi) To ensure that the level of remuneration is aligned with the business strategy and long-term objectives of the Company, complexity of the Company's activities, and reflects the experience and level of responsibilities undertaken by the Executive Directors.
- xii) The determination of the remuneration packages of Executive Directors and Non-Executive Directors, including the Chairman of the Board should, however, be a matter for the Board as a whole where the individuals concerned shall abstain from deliberation and voting on their own remuneration.

- xii) To assume the role as the committee to implement and administer the Company's Long Term Incentive Plan (**LTIP**) in accordance with the By-Laws of the LTIP duly approved by the Company's shareholders on 17 April 2013 or as may be amended, modified and/or supplemented from time to time (**LTIP By-Laws**), and to exercise such powers and to perform such acts as the RC deems fit and necessary in accordance with the LTIP By-Laws to ensure that the LTIP is implemented expediently and effectively in the best interest of the Group.

**6. Authority**

The RC is authorised by the Board to seek appropriate professional advice inside and outside of the Group as and when it deems necessary, at the expense of the Company.

**7. Reporting**

The Chairman of the RC shall report on its activities to the board.

**8. Secretary**

The Company Secretary shall be the Secretary of the RC.

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## PARAMOUNT CORPORATION BERHAD

## TERMS OF REFERENCE OF THE BOARD RISK MANAGEMENT COMMITTEE

(Revised: 29 May 2020)

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**1. Objective**

The Board Risk Management Committee (**BRMC**) of Paramount Corporation Berhad (**Paramount** or **the Company**) is established to assist the Board of Directors (**Board**) of Paramount in fulfilling its fiduciary responsibilities relating to the risk management practices of Paramount and its subsidiaries (**Group**) and to manage the principal risk exposure of the Group.

**2. Membership**

- i) The members of the BRMC shall be appointed by the Board from amongst their number and shall consist of at least three (3) Directors, one of whom shall be an Independent Non-Executive Director (**INED**).
- ii) The Chairman of the BRMC shall be an INED.
- iii) In the event of any vacancy in the BRMC resulting in the number of members being reduced to below three (3), the Board shall within three (3) months fill the vacancy.
- iv) The terms of office and performance of the BRMC and each of its members shall be reviewed by the Board at least once in every three (3) years or as and when the need arises.

**3. Meetings**

- i) The BRMC shall meet on a half yearly basis or at more frequent intervals as the Board may from time to time require.
- ii) The quorum for all meetings of the BRMC shall be three (3) members with the presence of at least one (1) INED.
- iii) The BRMC shall record its conclusion on issues discussed at its meetings and report to the Board accordingly at the nearest Board meetings.

**4. Functions and duties**

- i) To provide oversight, direction and counsel to the Group's risk management practices, and to ensure that such practices are effectively adopted.
- ii) To oversee the establishment and implementation of the Group's risk management policy annexed hereto as Annexure I, and to conduct annual reviews of the policy and periodic testing of the Group's risk management framework to ensure its adequacy and effectiveness. This includes to review the Company's Anti-Bribery and Corruption Policy for consideration by the Board.
- iii) To monitor the principal risk exposure of the Group, and to guide management in determining the risk appetite of the Group.
- iv) To recommend or advise on significant proposed changes to the Group's risk management policies and strategies.

- v) To review together with management significant risks and exposures that exist within the Group, and assess the steps that management has taken to minimize such risks, which include:
  - a) Strategic risks

Strategic risks that may arise due to potential market uncertainties and in the course of executing the Group's strategies in arriving at certain business decisions and/or participation in strategic investment opportunities. They include market volatility risk, project investment risk, product development risk, business sustainability risk, and human capital risk.
  - b) Operational risks

Operational risks that are encountered by the Group in its day-to-day business operations in the event of a breakdown in operational procedures and/or people structures. They include escalation in material costs, shortage of workers, quality risk, the risk of delay in the receipt of approvals from the authorities for product launches.
  - c) Finance-related risks

Finance-related risks, such as liquidity risk, interest rate risk, financial strength and capital risks.
  - d) Compliance risks

Risk of non-compliance with the relevant legislations, regulations, industry codes, standards as well as internal policies and corporate governance principles.
  - e) Reputational Risks

Reputational risks that affect the Group's brand and corporate image and the overall public perception of the Group, particularly by the media, investors, customers, the banking community and other stakeholders.
  - f) Cyber security risks

Cyber security risks include defacement of the Group's websites and data privacy breaches which can cause disruption to the Group's day-to-day business activities and the leakage of confidential information.
- vi) To review reports on compliance with risk management policies and recommend actions where necessary.
- vii) To consider any other matters that the BRMC deems fit within these Terms of Reference and/or as directed by the Board.

## 5. Authority

- i) The BRMC is authorised by the Board to perform the following:
  - a) make recommendations to the Board in risk related matters for the Board's consideration and for implementation;

- b) procure sufficient resources to enable it to perform its duties pursuant to these Terms of Reference; and
  - c) seek appropriate professional advice inside and outside the Group as and when it deems necessary at the expense of the Company.
- ii) The BRMC shall have full and unrestricted access to any information pertaining to the Group for the performance of its functions and duties.

**6. Reporting**

The Chairman of the BRMC shall report on its activities to the Board

**7. Secretary**

The Company Secretary shall be the Secretary of the BRMC.

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