



ES CERAMICS TECHNOLOGY BERHAD
Registration No. 200301024697 (627117-P)
(Incorporated in Malaysia)

BOARD CHARTER

INTRODUCTION

The Board Charter sets out the composition, roles and responsibilities and processes of the Board.

The Board Charter, which serves as a strategic guidance and effective oversight of management, is also intended to provide a concise overview of:

1. clarification of the roles and responsibilities of the Board, individual director, chairman, chief executive officer and management to facilitate the Board, individual director, chairman, chief executive officer and management's accountability to the Company and its shareholders;
2. delegation of authority by the Board to various committees established in assisting the Board to execute its duties and responsibilities; and
3. Board operating procedures and practices pertaining to meetings, training and development, code of conduct and declarations on conflicts of interest.

BOARD STRUCTURE

A. Composition

The number of directors shall not be less than 2 and not more than 15 as set out in the Company's Constitution.

In accordance with the Bursa Malaysia Securities Berhad ACE Market Listing Requirements, the Company must ensure that at least 2 directors or 1/3 of the Board, whichever is the higher, are independent directors with at least 1 women director. If the number of directors of the Company is not 3 or a multiple of 3, then the number nearest 1/3 must be used.

B. Appointment and Re-election

The Board is responsible to determine the appropriate size of the Board and the appointment of new director is a matter for consideration and decision by the Board, upon the recommendation from the Nominating Committee ("NC"). The NC will consider the required mix of skills, experience, other qualities and diversity, including gender, where appropriate, which the Director should bring to the Board.

In accordance with the Company's Constitution, one-third (1/3) or the number nearest to one-third (1/3) shall retire from office at each Annual General Meeting. A retiring Director is eligible for re-appointment. It provides that any new or additional Director appointed by the Board during the year shall hold office until the next Annual General Meeting and shall then be eligible for re-election. The election of each Director is voted separately.

ROLES AND RESPONSIBILITIES

Responsibilities of the Board

1. Understanding shareholders' expectations and contribute to the development of strategies in their best interest and enhance shareholders' value;
2. Ensuring that the statutory accounts of the Company are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
3. Commitment to understanding and implementation of appropriate measures to manage key risk factors of the Company; and
4. Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems.

Responsibilities of Individual Director

Directors are accountable to their shareholders and should use their best efforts to ensure that the Company and Group are properly managed and constantly improved so as to protect and enhance shareholder value, and to meet the Company's obligations to all parties with which the Company interacts, i.e. its stakeholders. Their responsibilities include, amongst others, the following:

1. Directors are appointed to act in the interests of the Company and an important area of their legal responsibilities derives from trust law - the fiduciary duty to act in the interests of the Company, which includes the interests of the shareholders;
2. They are under a duty to exercise reasonable skill and care in the discharge of their functions;
3. Directors are required to exercise the utmost good faith towards the Company in all their actions and to act honestly in the exercise of the powers and in the discharge of the duties of their office;
4. Directors are expected to be actively involved not only in Board meetings but general meetings of shareholders;
5. Acquiring knowledge about the business of the Company and Group, the statutory and regulatory requirements affecting effective discharge of their duties, being aware of the physical, political and social environment in which it operates;
6. Assisting the Chairman in providing the Company and Group with effective leadership; and
7. Being available to advise management between Board meetings when necessary.

Responsibilities of Chairman

The Chairman is elected by the Board members to provide leadership at Board level and represents the Board to the shareholders and other stakeholders. The Chairman is responsible for ensuring integrity and effectiveness of the Board and its committees.

The Chairman is required, amongst others, to:

1. Facilitate all Board meetings and ensure the appropriate level of interaction among Board members, subsidiary Board members and senior management;
2. Ensure a balance composition of skills, knowledge and experience within the Board and an effective working, reporting and communication mode is present;

3. Ensure that material matters in respect of the business or governance of the Company or the Group are tabled and ventilated effectively for Board decision making;
4. Monitor the performance of the individual and collective roles of the directors and the Board;
5. Chair all meetings with the shareholders i.e. Annual General Meeting and Extraordinary General Meeting.

Responsibilities of Chief Executive Officer

The Chief Executive Officer provides executive leadership and is accountable to the Board for the implementation of the strategies, objectives and decisions of the Board within the framework of delegated authorities, values and policies of the Company. The Chief Executive Officer is appointed by the Board on recommendation of the Remuneration and Nominating Committees.

The Chief Executive Officer is accountable to the Board, amongst other things, on the following:

1. The Chief Executive Officer has a direct reporting line to the Board and not to the shareholders of the Company. The Chief Executive Officer is the link between the Board and management of the Company;
2. Develop and recommend to the Board the annual business plans, budgets, actions plans and risk management policies that support the Company's long term strategy that reflect current business environment and trends;
3. Ensure management of day-to-day business affairs, continuous improvement and development, maintenance, implementation, formulation and achievement of corporate policies and strategies sanctioned by the Board;
4. Ensure that the Company has an effective management team and structure, management development program and succession plans;
5. Serve as chief spokesperson of the Company and Group.

Responsibilities of the Management

The responsibilities of the Management, in general, are:

1. Developing and proposing for the Board's approval, strategic plan and annual budget for the Company to ensure achievement of the objectives set by the Board;
2. Communicating to the staff and implementing the strategic plan approved by the Board and any decision of the Board to ensure that the objectives of the Company that were approved by the Board are met;
3. Running and managing the operations of the Company in a proper manner and in accordance with the Board approved strategic plan within the authority limit set by the Board;
4. Setting up of an appropriate and effective internal control measures and risk management framework. Identifying, assessing key risks, managing and monitoring key risks;
5. Developing effective management information and internal control systems of the Company to ensure that integrity and adequacy of the systems are intact;
6. Reporting to the Board periodically on the performance of the Group against the approved plan and budget as well as other matters that is under the Board's purview in order to enable the Board to discharge its responsibilities effectively; and
7. Reporting to the Board on matters that required their decision/approval or of significance to the Company and Group.

Responsibilities of Board Committees

The Board has set up different Board committees with different functions to assist the Board in discharging its fiduciary duty. These committees do not make decision on behalf of the Board and the Company. It is each committee's duty to review the matter under its purview and make the necessary recommendation to the Board for its consideration and decision making.

Audit Committee

The functions of Audit Committee are:

1. To review the following and report the same to the board of directors :
 - a) with the external auditors:
 - i) the external audit plan,
 - ii) the evaluation of the system of internal controls; and
 - iii) the external audit report.
 - b) assistance given by the Company's officers to the external auditors;
 - c) assess the adequacy of the scope, functions and resources of the internal audit and that the internal auditors has the necessary authority to carry out their works;
 - d) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - e) the quarterly financial report and year end financial statements, prior to the approval by the board of directors, focusing particularly on:
 - i) changes in or implementation of major accounting policy changes;
 - ii) significant and unusual events;
 - iii) the going concern assumption; and
 - iv) compliance with accounting standards and other legal requirements
 - f) any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - g) letter of resignation from the external auditors, if any;
 - h) whether there is any reason (supported by grounds) to believe that the external auditors is not suitable for reappointment.
2. To consider the nomination of external auditors.
3. To perform such other functions as may be agreed to by the Audit Committee and the Board of Directors.

Nominating Committee

The functions of Nominating Committee are:

1. recommend to the Board of Directors the nomination of a person or persons to be a Board member(s) by shareholder(s) or Director(s);
2. recommend to the board, directors to fill the seats on board committees;
3. assess the effectiveness of the board as a whole, the committees of the board and the contribution of each existing individual director and thereafter, recommend its findings to the board; and
4. review the required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the board and thereafter, recommend its findings to the board.

Remuneration Committee

The Committee shall recommend to the board, the remuneration packages of executive directors of the Company in all its forms, drawing from outside advice as necessary.

The remuneration packages of non-executive directors should be determined by the Board of Directors as a whole subject to the shareholders' approval.

BOARD PROCESSES

Processes and procedures for convening Board meeting

Scheduling of Board meetings

The Board meets at least 4 times every year based upon a schedule set on yearly basis.

Apart from the pre-scheduled Board meetings, the Board may for the purpose of urgent matters, convenes ad-hoc Board meetings at any time during the year.

Agenda item for Board meetings

The agenda of the meeting is decided upon focusing on matters that requires Board decision, approval, directions and on items that are truly the Board's responsibility.

The Secretary shall discuss with the Chief Executive Officer on the agenda item. The final agenda for the meeting would be given to the Chief Executive Officer for his approval and clearance.

Any Director may request for inclusion of any matter in the agenda for a particular Board meeting. The request must be sent 7 days before the meeting for the Chief Executive Officer's approval.

Board meeting materials distributed in advance

The Chief Executive Officer will inform/remind the relevant head of department to submit their report/materials on presentation to the Secretary at least 7 days before the meeting.

All meeting materials/report/papers as well as the notice and agenda will be compiled in a meeting file and to be distributed to all the Directors within an appropriate timeline for perusal. In case where the subject matter/agenda item is price sensitive or otherwise confidential or in a state of flux, the presentation is directly made at the meeting.

Convening a Board Meeting

The quorum necessary for the transaction of business of the Directors shall be fixed by the Directors from time to time and unless so fixed, the quorum shall comprise two (2) Directors.

Questions arising at any Board meeting shall be decided by a majority of votes, each Director having one vote and in case of an equality of votes, the Chairman shall have a second or casting vote except when only two Directors are present and form a quorum or only two are competent to vote on the question at issue, the Chairman shall not have a casting vote.

Board and Directors Professional Development

The Board is required to be kept up-to-date with current business, industry, regulatory and legislative developments and trends that will affect the Company and Group's business operations.

The Board and its Director's professional development are:

1. Newly appointed Board members are mandated to attend the Mandatory Accreditation Programme as required under the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad within 4 months from the date of appointment;
2. Newly appointed Board members, when taking up office, are to attend the Company's induction program, where they are fully briefed on the terms of their appointment, duties and responsibilities. New members will also be briefed on the operations of the Group to increase their understanding of the business and the environment and markets in which the Group operates;
3. Formal training and continuous education programs and workshops for the directors encompassing topics on directorship, business, industry, regulatory and legislative; and
4. Informal sessions and discussion forums for the directors to share experiences and have constructive deliberations.