



Hai-O Enterprise Berhad
(Registration No. 197501000919 (22544-D))

Board Charter

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1. Objectives

The Board is responsible for the proper stewardship of Hai-O Enterprise Bhd (“the Company”) and its subsidiaries (“the Group”). By adopting and promoting good corporate governance and in compliance with the Bursa Main Market Listing Requirements (“MMLR”), the applicable rules or regulations, and its Constitution, the Board of Directors (“the Board”) has adopted this Board Charter to perform and discharge its fiduciary duties.

The Board Charter sets out the authorities, responsibilities, membership and conduct of the Board of the Company. It also clarifies the accountability of both the Board and Management for the benefit of the Company and its shareholders.

This Board Charter is not an “all inclusive” document and should be read as a broad expression of principles. It shall be reviewed on periodic basis and may be amended by the Board from time to time.

2. Roles & Responsibilities

The Board is collectively responsible for the proper stewardship of the Group’s business in achieving the objectives and long-term goals of the Company.

The Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the responsibilities in discharging its fiduciary and leadership functions. Matters that require prior review and approval by the Board are set out in the list of agenda of the annual meeting calendar. Decisions of the Board at a physically convened Board Meeting shall be decided by a majority of votes or alternatively, circular resolutions must be signed by a majority of the Directors.

The functions of the Executive and Non-Executive Directors are separated and clearly defined.

Generally, the Executive Directors manage the Group’s daily operations and implement the operational and corporate decisions. The Non-Executive Directors provide the Company with unbiased, independent views and decisions, after taking into consideration the interest of the shareholders, employees and business associates.

The expertise of the Independent Non-Executive Directors complements the knowledge and experience of the Executive Directors in the formulation of the Company’s strategies and policies for business operations as well as to promote sustainability. The Independent Non-Executive Directors also play a role to ensure a clear separation between the policy-making process and day-to-day management of the Group’s businesses.

For any conflict of interest, potential or otherwise, it is a mandatory practice for the Director concerned to declare his or her interest and to abstain from voting and deliberations on that affected subject matter.

2.1 Role of the Board

In principle, all members of the Board individually or collectively have adopted its role which includes but is not limited to the following responsibilities for effective discharge of their duties.

- i. Reviewing and adopting a strategic plan for the Group, taking into account the sustainability of the business of the Group with attention given to the environmental, economic and social aspects of the operations;
- ii. Overseeing and evaluating the conduct of the Group's businesses, review of business plans and approval of annual budget;
- iii. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- iv. Promoting good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour including setting the Group's anti-bribery stance and managing corruption risks of the Group;
- v. Establishing a succession plan for senior management;
- vi. Overseeing the development and implementation of Investor Relation's policy for the Company;
- vii. Reviewing the adequacy and integrity of the management information and internal controls system of the Group;
- viii. Formulating corporate policies and strategies;
- ix. Approving key matters such as quarterly financial results, audited financial statements as well as major investments and divestments, major acquisitions and disposals and major capital expenditure;
- x. Assessing on an annual basis the effectiveness of the Board, Board Committees and individual Directors as well as Senior Management;
- xi. Reviewing the term of office and performance of the Board Committees and each of its members in accordance to their respective terms of office; and
- xii. Ensuring that all its directors are able to understand financial statements and form a view on information presented.

In carrying out its duties, certain matters are specifically reserved for the Board's decision, including overall strategic direction, sustainability strategy, annual business plan, major capital expenditure such as material capital projects, acquisitions and disposals of properties and assets with a percentage ratio of 5% and above as defined in the MMLR, reviewing the quarterly Group's financial performance, reviewing related party transactions as well as key risks affecting the Company and its subsidiaries.

2.2 Role of Chairman

There is a clear division of responsibilities between the roles of the Chairman and the Group Managing Director to ensure that there is an equilibrium of power and authority in managing and directing the Group.

The Chairman provides leadership to the Board, focus on governance and compliance, and is primarily responsible for the orderly conduct and function of the Board to ensure that contributions by the Directors are forthcoming on matters being deliberated and that no Board member dominates the discussion. The responsibilities of the Chairman, among others, include the following:

- i. Presiding over Board meetings and Company meetings and directing Board discussions to effectively address critical issues facing the Company;
- ii. Promoting constructive and respectful relationships between the Board members and between the Board and Management;
- iii. Facilitate active discussion and participation by all Directors; and
- iv. Ensuring effective communication with shareholders and relevant stakeholders.

2.3 Role of Group Managing Director

The Group Managing Director, with the assistance of other Executive Directors and senior management team is responsible for the overall performance and day-to-day management of the Company's businesses. With all the specific authorities delegated by the Board, the Group Managing Director is accountable for, among others, the following:

- i. Setting vision and business direction for the Company;
- ii. Overseeing the day-to-day business affairs of the Company are effectively managed;
- iii. Ensuring the Company's strategies, plans and corporate policies are effectively implemented;
- iv. Building the Company's culture and values;
- v. Leading, managing and motivating senior management team; and
- vi. Acting as a spokesperson for the Company and maintaining effective relations with key stakeholders;

2.4 Role of Senior Independent Non-Executive Director

A Senior Independent Non-Executive Director (“SINED”) act as an additional safeguard and to serve as a contact for investors and shareholders when the normal channel of communication is considered to be not suitable. The SINED responsibilities among others, include: -

- i. Taking the lead of succession planning for senior management;
- ii. Serve as a designated contact for consultation and direct communication with shareholders on areas that cannot be resolved through normal channels of contact with the Chairman or Group Managing Director;
- iii. To act as conduit between the Independent Directors and the Chairman on sensitive issues;
- iv. Ensure all Independent Directors have the opportunity to provide input on the agenda, and advise the Chairman on the quality, quantity and timeliness of the information submitted by management that is necessary or appropriate for the Independent Directors to perform their duties effectively;
- v. Consult with the Chairman regarding Board meeting schedules to ensure that the Independent Directors can perform their duties responsibly and with sufficient time for discussion of all agenda items; and
- vi. Chair meetings of the Board or Board Committees, in the absence of the Chairman or his abstention.

2.5 Role of Committees

To ensure the effective discharge of its function and responsibilities, the Board delegates powers of the Board to the Board Committees, namely the Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee, Sustainability Steering Committee and ESOS Committee to oversee the Group’s affairs in accordance with their respective Terms of Reference. All proceedings, matters arising, deliberations during the Committees’ meetings in terms of the issues discussed, and recommendations made by the Board Committees are recorded in the minutes by the Company Secretaries, confirmed by the respective Board Committees, signed by the Chairman of the said Committees, and reported to the Board.

i. Audit Committee

To assist the Board in meeting its responsibilities relating to accounting and reporting practices of the Group, to oversee and evaluate audit work conducted by both the Company’s external auditors and internal auditors and to ensure the independence of the Company’s external auditors and the internal audit function.

ii. Nominating Committee

To develop, maintain and review the criteria to be used in the recruitment process for new directors and annual assessment of the Board and Board Committees, including among others, the assessment on the effectiveness of the Board as a whole.

iii. Remuneration Committee

To set the policy framework and to make recommendations to the Board on remuneration packages and benefits extended to the Executive Directors and key senior management. For Non-Executive Directors, the remuneration structure would commensurate with the seniority, experience, contribution, level of responsibilities and representation in Board Committees taken by a particular Non-Executive Director.

iv. Risk Management Committee

To formalise a structured risk management framework to determine the Company's level of risk tolerance, identify, evaluate, control, monitor and report the principal business risks faced by the Group on an on-going basis.

Also to formalise an Anti-Bribery Framework and review the management of key bribery risks of the Group on an ongoing basis.

v. Sustainability Steering Committee

To assist the Board to meet its oversight responsibilities on sustainability matters of the Group.

Also to propose sustainability strategy, review the material sustainability matters identified and prioritised by the Sustainability Working Committee / Management and oversees the progress of the sustainability initiatives and projects.

vi. Employees' Share Option Scheme ("ESOS") Committee

To implement and administer the ESOS in accordance with the ESOS By-Laws.

2.6 Role of Management

Management's role is to implement and execute the expressed policies and strategies adopted by the Board and has delegated authority to manage the business on a day to day basis. The limits of Management's authority are encapsulated in the Group's Policy document which outlines the decision-making authority of the executive management team, generally covering approvals for operational and capital expenditure, execution of contracts, procurement and human resource

matters. Any commitments which are not within the ordinary course of business, material in nature and are subject to the disclosure requirements pursuant to MMLR will require the prior approval of the Board.

Management would brief the Board on the operational performance and the quarterly report on the financial performance of the Group. As and when necessary, additional meetings would be convened to discuss on matters which are not in the ordinary course of business such as new business proposals/opportunities and major capital commitments.

3. Board Composition & Balance

3.1 Size & Composition

- i. At least two (2) directors or one-third (1/3) of the Board, whichever is higher, shall be independent directors as stipulated in the MMLR;
- ii. The Board composition represents a mix of knowledge, skills, expertise relevant to the Company;
- iii. The Board aims to maintain a diversity of experiences, skills and attributes among the Directors and is supportive of the gender boardroom diversity as recommended by the Malaysian Code on Corporate Governance. However, appointments to the Board would be based on merit and contribution that the selected candidate will bring to the Board as the Group practises non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the organisation;
- iv. The size of the Board is such that it facilitates the decision making of the Board. Pursuant to the Company's Constitution, the Board shall not be less than three (3) directors and not more than twenty (20) directors.

3.2 Time Commitment

- i. Directors are expected to devote their time to prepare themselves thoroughly for meetings for effective participation in the meetings and are expected to observe the meeting attendance requirements.
- ii. The Board obtains this commitment from Directors at the time of appointment and this is assessed by the Nominating Committee annually. In any circumstances, the Directors must not hold more than five (5) directorships in public listed companies in accordance with the MMLR.

3.3 Appointment & Re-election

- i. The appointment of a new Director is a matter for consideration and decision by the Board upon appropriate recommendation from the Nominating Committee;
- ii. All newly appointed Directors shall be subject to retirement at the next immediate Annual General Meeting (“AGM”) and is eligible for re-election;
- iii. All other Directors will be subject to retirement by rotation at least once in every three (3) years and is eligible for re-election;
- iv. New Board members shall be briefed on the terms of their appointment, their duties and obligations and on the operations of the Company. The Group HR Department shall conduct a Director Induction Program after the appointment. Each newly appointed Director shall be provided with the following:
 - a. Board Charter;
 - b. Code of Ethics;
 - c. Latest Annual Reports & Audited Financial Statements;
 - d. Company’s Organisation Chart;
 - e. Corporate Disclosure Policy;
 - f. Related Party Transaction Policy; and
 - g. Any other relevant matters and documents.

3.4 Independence

- i. An Independent Non-Executive Director is independent of management and free of any significant business or other relationships that could materially interfere with the exercise of his/her independent judgement. An Independent Director plays an advisory and impartial role in the Board and to the Company as to ensure that the interests of all shareholders are taken into account by the Board;
- ii. As an annual practice, all the Independent Non-Executive Directors have to provide their annual confirmations of independence to the Board based on the Company’s criteria of assessing independence which is in line with the definition of “independent directors” prescribed by the MMLR. An assessment would also be carried out when new interest or relationship develops;

- iii. The tenure of an Independent Director should not exceed a cumulative term of nine (9) years and that an Independent Director may continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of nine (9) years' tenure. If the Board intends to retain an Independent Director beyond nine (9) years, the Board should provide justification and seek annual shareholders' approval.

4. Performance & Remuneration

4.1 Board Evaluation

- i. The process of assessing the Directors is an on-going responsibility of the entire Board. The Board has put in place a formal evaluation process to annually assess the effectiveness of the Board as a whole and the Board Committees, as well as the contribution and performance of each individual Director, including the Independent Non-Executive Directors.
- ii. The criteria used, among others, for the annual assessment of individual Director include an assessment of their roles, duties, responsibilities, competency, expertise and contribution. For the Board and Board Committees, the criteria used include among others, composition, structure, accountability, responsibilities, adequacy of information and processes.
- iii. The evaluation process is internally facilitated, together with the external Company Secretary and assisted by the Group HR Department.
- iv. The evaluation results are communicated by Chairman of the Nominating Committee to the Board for review;
- v. As for the Executive Directors, their performance will also be evaluated based on both financial and strategic targets or KPIs of the Group. If the Executive Directors are tasked with overseeing any specific business activities or management functions, the performance of such areas will also be taken into consideration when determining the level of remuneration.
- vi. In the case of Independent Non-Executive Directors, the members' ability to discharge such responsibilities or functions as expected from Independent Non-Executive Directors and whether the member has any conflict of interest with the Company.

4.2 Remuneration Policy

- i. The Remuneration Committee is tasked to determine and recommend remuneration policies that are fair and competitive to ensure that the Company attracts and retains Directors and Senior Management needed to manage the Company successfully;
- ii. For Executive Directors and Senior Management, the Remuneration Committee will base on the achievement of the corporate and individual KPIs, the responsibilities involved and market competitiveness to determine the level of remuneration before recommending to the Board for approval;
- iii. All Directors are paid a fixed sum of annual director fees as members of the Board and such fees are to be approved by the shareholders at the AGM. All Directors are also paid the meeting attendance allowances for each Board or Committee meeting that they attend, monthly committee allowances for their specific duties performed in the respective Committees and other benefits;
- iv. The respective Director shall abstain from deliberating and voting on his/her own remuneration at the Board and Committee Meetings; and
- v. The Non-Executive Directors' remuneration and benefits payable must be approved by the shareholders at the AGM.

4.3 Director Training & Development

- i. The Board recognises that continuous education is critical for its members to gain insight into the state of economy outlook (global & domestic), industry trends, regulatory updates and management strategies. The Board must on a continuous basis, assess and determine the training needs of all the Directors upon recommendation by the Nominating Committee and ensure that they have access to continuing professional development which aid in discharging their duty as a Director;
- ii. In addition to the mandatory accreditation programmes as required by the Bursa Securities, the Board members are required to attend specific training programmes either through in-house trainings or external trainings annually. The Directors are encouraged to attend relevant seminars, training and development programmes to equip themselves and keep abreast with the necessary knowledge and skills;

- iii. The Group Training Department will assess the training needs of each Director through the feedback obtained from the annual distribution of the “Training Needs Analysis” survey form distributed to the Directors;
- iv. The Board is briefed and updated on the latest relevant regulatory requirements from time to time and at Board meetings by the Company Secretary and /or if relevant, the members of the Board are encouraged to attend the advocacy sessions or development programme conducted by Bursa Malaysia Securities Bhd, Suruhanjaya Syarikat Malaysia, or Securities Commission and other relevant authorities from time to time.

5. Board Meetings

- i. The Board meets at least four (4) times a year, or once (1) in every quarter for a formal schedule of matters reserved for the Board. Additional meetings are held as and when required. The Board’s annual meeting calendar is prepared and circulated to the Directors before the beginning of each calendar year. The meeting calendar provides scheduled meeting dates for the Board, Board Committees and AGM;
- ii. The quorum for Board meetings shall be at least 2 Directors and each member is entitled to one (1) vote in deciding the matter deliberated in the meeting. In the case of equality of votes, the Chairman shall have a second or casting vote, except in circumstances where only two (2) directors are present at a meeting.
- iii. Senior management staff will be requested to attend the Board meeting to brief and update the Board on the financial performance and affairs of the Company and its main business segments or any other important strategic issues, corporate proposals or key business plans;
- iv. Relevant and sufficient information and documents such as the Notice of Board Meeting, full agenda and the supporting Board papers shall be provided to the Board members prior to each Board meeting to enable Directors to make informed decisions and to properly discharge their duties. The agenda of each Board meeting is confirmed by the Chairman.

6. Access to Information & Independent Advice

- i. The Board has unrestricted access to all staff for any information pertaining to the Group’s affairs;
- ii. The Board members also have access to advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with;
- iii. The Board may also seek independent professional advice at the expense of the Company as they deem necessary in furtherance of their duties.

- iv. Any Director who wishes to seek independent professional advice in the course of discharging his / her duties may raise the request during the Board meeting or convey the request through key Senior Management or the Company Secretary for consideration of the Board at a Board meeting to be held.

7. Investors Relations & Shareholder Communication

- i. The Board is conscious of its accountability to investors and shareholders and as such, has put in place the Corporate Disclosure Policy & Procedures that enables the Board and Management to communicate effectively with its investors and the public generally via a structured approach;
- ii. AGM is the principal forum and channel of communication with shareholders. Shareholders are encouraged to attend and participate during the open dialogue session prior to adopting the proposed resolution;
- iii. The date of AGM of the Company is scheduled in September annually and the Directors are notified at the beginning of the calendar year of the scheduled meeting to ensure that all Directors are present to provide meaningful response to questions addressed to them. All the Directors, together with the Senior Management team, external auditors and internal auditors are required to be present at general meeting(s) to answer queries from the shareholders who participate in the Question and Answer session.
- iv. A press conference will normally be held after each AGM. The Chairman, the Group Managing Director and Group Executive Director will attend to questions posed by members of the media on Company's results, prospects and outlook or any specific issues;
- v. The Company periodically organises briefings and meetings with analysts and fund managers and also facilitates communications through tele-conference to give stakeholders a better understanding of the businesses and development of the Group. The corporate presentations and interim reports highlights are made available at the Company's website www.hai-o.com.my.
- vi. The Company's website (www.hai-o.com.my) provides easy access to corporate information and news pertaining to the Company and its activities. The website is updated regularly;
- vii. The Company also maintains a dedicated electronic mail, ir@hai-o.com.my to which stakeholders can direct their queries for investor relations purpose.

8. Company Secretary

- i. The Board appoints the Company Secretary, who plays a key advisory role on all governance and administration relating to the Board and its Committees, and is responsible for handling Board meetings procedures and corporate matters or any other professional services as required;
- ii. The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company.

9. Conflict of Interests & Related Party Transactions

- i. All Directors must disclose to the Board (through the Company Secretary) any actual or potential conflict of interest which may exist or be thought to exist as soon as they become aware of the issues at the very first Board Meeting held thereafter;
- ii. If a conflict or potential conflict of interest situation exists, it is required that the conflicted or interested Director shall declare his/her interest and be absent from the meeting whilst the Board discusses the matter and he/she shall not vote on the matter;
- iii. Directors are expected to inform the Company Secretary of any proposed Board or executive appointment in other public companies within seven (7) days of his/her new appointment or soonest possible.

10. Code of Ethics and Whistle-Blowing Policy

All Directors are expected to conduct themselves with the highest standard of ethics and as a Director, his/her conduct is guided by the Companies Commission of Malaysia – Company Directors’ Code of Ethics. The Code of Ethics provides guidance to the Directors of the Company in performing their duties as it aims to establish a standard of ethical behaviour based on trustworthiness and values as well as uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administration of a company.

The Group has also established an internal policy which is formalised through the Company’s Code of Ethics and Business Conduct (“Business Code”). The employees of the Group are required to adhere to the principles and practices outlined in the Business Code in performing their duties and responsibilities. A copy of the Internal Business Code is available on our internal portal which is accessible to all directors and employees.

The Company has adopted a Whistle-Blowing Policy which is disseminated to employees on the Company’s internal portal. The Whistle-Blowing Policy states the appropriate communication and feedback channels to facilitate whistleblowing can also be accessed at the Company’s website www.hai-o.com.my.

11. Dealings in Company's Securities

The Board must not deal in the Company's Securities as long as he/she is in possession of price-sensitive information. "Price-sensitive information" means information that on becoming generally available would or would tend to have a material effect on the price or value of the securities.

The Directors and Principal Officers must strictly adhere to the requirements and procedures as prescribed under MMLR for any dealings in the Company's Securities.

12. Economic, Environment, Social and Governance

The Board is mindful on the importance of business sustainability and in developing the corporate strategy of the Group, its impact on the economic, environment, social and governance aspects are taken into consideration. In this respect, the Board has adopted a governance structure to create accountability for matters pertaining to sustainability across Company / Group's main business segments, key developments and management. The Company is committed:

- i. To be a good corporate citizen;
- ii. To work together with relevant stakeholders to help create a more sustainable business environment;
- iii. To help build a thriving local community;
- iv. To create a great and safety workplace;
- v. To support eco-friendly activities;
- vi. To be responsive to customers' ever-changing expectation and demands for high quality and reliable healthcare and wellness products.

In order to effectively manage and realise our commitment to integrate sustainability throughout our value chain, the Company has developed a governance structure which reports to Board of Directors. The Sustainability Steering Committee ("SSC") was delegated with the roles and responsibilities to propose the sustainability strategy, review the material sustainability matters indentifies and oversees the progress of the sustainability initiatives and projects. The SSC is led by the Group Managing Director, assisted by the Group Executive Director and the General Managers of the main business segments (i.e. Wholesale, MLM and Retail).