

# **SHANGRI-LA HOTELS (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

## **B O A R D   C H A R T E R**

### **1. INTRODUCTION**

The Board of Shangri-La Hotels (Malaysia) Berhad [“SHMB”] supports the general principles of good corporate governance and best practice provisions set out in the Malaysian Code on Corporate Governance [“the Code”]. The Board is firmly committed to the highest standards of integrity, accountability and transparency in the governance of the SHMB Group in order to safeguard the interests of all shareholders and to create sustained growth in shareholder value.

This Board Charter, which outlines the governance arrangements of the Board of SHMB are designed with a view to upholding the best standards of corporate governance and are subject to ongoing review for improvement and adjustment for the changing demands of business.

### **2. RESPONSIBILITIES OF THE BOARD**

The Board is responsible to the shareholders for the good standing of the SHMB Group, the management of its assets for optimum performance and the overall strategy and direction for its future development. The main responsibilities of the Board are: -

- ❑ reviewing and monitoring the financial and operational performance of the Group.
- ❑ overseeing the management of the business and affairs of the Group to evaluate whether the business is being properly managed.
- ❑ reviewing the adequacy of the risk management systems and the integrity of internal controls for the Group.
- ❑ reviewing and guiding the corporate strategy for the Group.
- ❑ overseeing the integrity of the accounting and financial reporting process of the SHMB Group and ensuring the financial reports are prepared in accordance with approved accounting standards and present a balanced and comprehensive assessment of the Group’s performance, position and prospects.
- ❑ ensuring the Group adheres to high standards of ethics and corporate behavior.
- ❑ ensuring regulatory compliance.
- ❑ reviewing and ensuring succession planning and compensation policies for key positions.
- ❑ overseeing and ensuring the effectiveness of the information and communication system of SHMB with its shareholders for the timely disclosure of information to all shareholders in a fair and equitable manner.

In addition, the Board reserves a formal schedule of matters for its decision and approval to ensure that the direction and control of the Group are firmly in its hands. These would include key matters such as the business and corporate strategic plans, major acquisitions and disposal of assets, major capital expenditure, annual operating plans and budgets, risk management policies, major investments and funding decisions, general treasury policies, delegated authority limits, as well as important announcements to be issued.

### 3. **BOARD STRUCTURE AND PROCESSES**

#### 3.1 **Board Balance and Mix**

- 3.1.1 The Board attaches great importance to having a strong and independent element in its structure, which is able to exercise objective judgement to the Board's deliberations and decision making process. In order to achieve this, at least one-third of the Board shall consist of "Independent Directors". The "Independent Directors" play an important role in areas where the interests of management, the Company and shareholders may diverge. "Independent Director" shall be in accordance with the definition provided under Paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad.
- 3.1.2 The Board aims for a broad spread of knowledge, talent and experience among its members, which are appropriate to the Group's business and facilitates effective decision-making. The composition of the Board shall comprise a combination of executive directors with intimate knowledge of the business and non-executive directors who can bring a broader view to the Group's business activities. The members of the Board should be persons of high calibre and credibility with appropriate personal qualities, and have total commitment to furthering the interests of shareholders and the achievement of the Company's goals.
- 3.1.3 The Board recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company. It is the policy of the Board to keep the roles of the Board Chairman and Managing Director separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.
- 3.1.4 In accordance with the Company's Articles of Association, all Directors shall retire from office once at least in each three ("3") years, but shall be eligible for re-election. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with section 129(6) of the Companies Act, 1965.

### 3.2 **Role of the Chairman of the Board**

3.2.1 The Chairman of the Board carries out a leadership role in the conduct of the Board and its relationship with shareholders. The Chairman is primarily responsible for: -

- ❑ the effective functioning of the Board.
- ❑ representing the Board to shareholders.
- ❑ ensuring the integrity and effectiveness of the corporate governance process of the Board.
- ❑ maintaining regular dialogue with the Managing Director over the financial and operational matters of the Group and to consult with the other Board members promptly over any matters that are of major concern.
- ❑ to act as a facilitator at meetings of the Board to ensure that no individual dominates the Board's decision-making, appropriate discussions take place and that there is an active exchange of views. The Chairman of the Board is to ensure that Board deliberations and discussions result in logical and understandable outcomes.
- ❑ ensuring that all Directors are encouraged to play an active role in the discharge of their duties and responsibilities as well as “add value” to the Board's decision-making.
- ❑ ensuring all the relevant items are placed on the agenda and that the information, which is necessary for the Board to deal with the agenda is provided on a timely basis.
- ❑ ensuring effective communication and information flow between management and the board so that the Directors can effectively assess the direction of the Group and the performance of management.
- ❑ ensuring that executive directors look beyond their executive function and accept their full share of responsibilities of governance.

### 3.3 **Role of the Managing Director**

- 3.3.1 The position of the Managing Director in essence, is to ensure the effective implementation of the strategic plans/policies and operational decisions adopted and agreed by the Board.
- 3.3.2 The Managing Director is accountable to the Board for the achievement of the goals and objectives of the Group as well as the observance of management limitations. The Managing Director is obliged to refer and discuss with the Board all material matters affecting the Group and its performance and all strategic projects or developments.
- 3.3.3 The Managing Director is responsible to the Board for directing and promoting the profitable operation and the development of the Group consistent with the primary aim of enhancing long-term shareholder value.
- 3.3.4 The Managing Director is expected to perform and act within the specific authorities delegated by the Board.
- 3.3.5 Generally, the Managing Director is responsible to the Board for the following: -
- ❑ the day to day management and performance of the Group's business activities within the framework of the Group's policies, reserved powers and routine reporting requirements.
  - ❑ overseeing succession plans for key positions in the Group's hierarchy and also the career development of high potential executives.
  - ❑ overseeing the non-financial aspects of the Group's operations covering corporate identity, ethics, customer satisfaction, product and service quality, market share, market reaction, health, safety and environmental performance.

#### 4. **COMMITTEES OF THE BOARD**

The Board reserves the right to delegate specific responsibilities to smaller board committees to assist it in the discharge of its duties. The committees of the Board play an important role in corporate governance, in terms of improving decision-making by the Board and enhancing the monitoring function of the Board and its accountability to shareholders.

The standing committees of the Board are the Audit Committee, the Policy Implementation Committee - “Hotels & Resorts” and the Nomination and Remuneration Committee, which all operate within defined terms of reference. The key functions of these committees are described below.

##### 4.1.1 **Audit Committee [“AC”]**

The primary responsibilities of the AC are to review the adequacy of the internal control and risk management systems of the Company and of the Group, overseeing the financial reporting process, and overseeing the independence and effectiveness of the internal and external audit functions.

##### 4.1.2 **Policy Implementation Committee [“PIC”] - “Hotels & Resorts”**

The PIC is established for the primary purpose of overseeing and monitoring the operating and financial performance of the hotel and resort operations of the Group.

##### 4.1.3 **Nomination and Remuneration Committee [“NRC”]**

The primary functions of the NRC are to recommend to the Board the appointments of new directors for SHMB and the boards of SHMB’s major wholly-owned subsidiaries and the board committees, reviewing the effectiveness of the Board as a whole and the board committees, and to recommend the remuneration framework and benefits for executive directors.

5. **RELATIONSHIP WITH SHAREHOLDERS**

- 5.1 The Board shall engage in regular, effective and fair communication with all shareholders. The Board's role is to ensure the timely disclosure of information to all shareholders and that the information disclosed shall be as descriptive, detailed and forthcoming as possible.
- 5.2 The Company shall keep the shareholders abreast with developments and the overall financial performance of the Group through its Annual Report and accounts, Quarterly reports, disclosures and announcements to Bursa Malaysia, press statements and Circulars to Shareholders. In addition, the Company shall respond to individual ad hoc request for discussions from institutional shareholders.
- 5.3 The Board uses the Annual General Meeting ["AGM"] as an important means of communication with shareholders. Shareholders shall be given a balanced report of the results and progress of the Group's performance and prospects at each AGM. Shareholders shall be encouraged to participate in discussions with the Board and to communicate their views on matters affecting the Group at the AGM.

6. **COMPANY SECRETARY**

- 6.1 All Directors shall have access to the advice and services of the Company Secretary in carrying out their duties. The Directors acknowledge that the Chairman of the Board is entitled to the strong and positive support of the Company Secretary in ensuring the effective functioning of the Board. The Company Secretary shall be suitably qualified and capable of carrying out the duties required of the post.

The primary functions of the Company Secretary are: -

- ☐ ensuring that the Board proceedings are smoothly run.
- ☐ ensuring that all Board appointments are properly made and all relevant information are obtained prior to Directors taking their posts.
- ☐ ensuring compliance with all applicable rules and regulations.
- ☐ ensuring adequate flow of information from management to the Board.
- ☐ preparing comprehensive minutes and ensuring that the proceedings and conclusions of Board meetings are duly recorded.
- ☐ ensuring that resolutions are properly attended to.

## **7. BOARD MEETINGS**

7.1 The Board shall meet at least four times a year, with additional meetings as needed to deal with the business requiring Board approval. The Company Secretary shall plan in advance the timetable of board meetings to be held in each year.

7.2 The notice of board meeting shall be given in advance of each board meeting. The Chairman in conjunction with the Company Secretary shall ensure that a proper agenda for each board meeting is prepared. To maximise effectiveness, a detailed written agenda is to be prepared for board meetings and shall be designed to meet the Board's objectives.

The Board shall be supplied with appropriate and timely information prior to board meetings so that the members of the Board are equipped to make informed and effective decisions. The Directors shall receive comprehensive reports and fully documented proposals, and may also request for additional information, where they consider this necessary.

7.3 All members of the Board and the Company Secretary are required to attend board meetings. The Board may invite members of senior management of the Group and also external parties, such as the auditors, solicitors and consultants to attend board meetings, as necessary. However, attendees shall be limited to those who are familiar with, or responsible for, the topics on the agenda.

7.4 The Company Secretary shall duly record the proceedings of board meetings. Minutes shall be circulated together with the board papers for confirmation at the following board meeting.

## **8. SUPPLY OF INFORMATION**

8.1 The Directors shall have full access to all material information about the Group whether as a full Board or in their individual capacity, in furtherance of their duties.

8.2 The Board shall be provided with complete, adequate and timely information prior to Board Meetings and on an ongoing basis to enable the Directors to duly discharge their responsibilities. The information supplied to the Board shall include financial matters as well as the non-financial aspects of the Group's business activities.

8.3 The full Board as well as any member of the Board may take independent professional advice relating to the affairs of the Group, at the Company's expense, in the furtherance of their duties if so required.