
BOARD CHARTER

1. INTRODUCTION

The Board of Directors (“the Board”) of AEON CO. (M) BHD. (“the Company” or “AEON”) is accountable and responsible for the performance and affairs of the Company. All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

2. PURPOSE

This Board Charter sets out the roles, functions, composition, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware on their duties and responsibilities as Board members.

This Board Charter would act as a source reference and primary induction literature to provide insights to prospective Board members and Senior Management. In addition, it will assist the Board in the assessment of its own performance and of its individual Directors.

3. THE BOARD

3.1 Board Membership

3.1.1 Composition

The Board consists of qualified individuals with wide range of expertise, experience with diverse background, age, gender, ethnicity, nationality, cultural background and knowledge necessary to govern the Company. The composition and size of the Board is such that it facilitates the decision making of the Company. All Board members is to participate and deliberate on the issues and matters affecting the Company.

According to the Articles of Association of the Company, until otherwise determined by a general meeting, the number of the Directors shall not be less than five (5) or more than thirteen (13). The Board must have a minimum of two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors as defined in Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and if the number of the Directors of the Company is not 3 or a multiple of 3, then the number nearest one-third shall be used. In the event of any vacancy in the Board resulting in non-compliance with the requirements on Independent Directors, the vacancy must be filled within three (3) months of that event.

The Independent Directors is expected to provide an unbiased and independent view, advice and judgment taking into account the interest, not only of the Company but also of shareholders, employees, customers and communities in which the Company conducts businesses.

The Board shall appoint a Senior Independent Non-Executive Director who will also attend to any query or concerns on matter relating to corporate governance of the Company that could be conveyed.

A Director shall inform the Board's Chairman before he/she accepts any new directorships and indicate time to be spent. Each Board member must not hold directorships at more than five (5) listed issuers.

3.1.2 Appointments and Re-election

The appointment of a new Director is a matter for consideration and decision by the Board, upon the recommendation from the Nomination Committee. In making these recommendations, the Nomination Committee will consider the required mix of skills, experience, diversity and size of the Board including the effectiveness of the Board as a whole. Further, in identifying candidates for appointment of Directors, the Board does not solely rely on recommendations from existing Board members, Management or major shareholders. The Board will try to utilise variety of independent sources to identify suitably qualified candidates, where necessary.

In accordance with the Company's Articles of Association, all Directors are subject to retirement at the Annual General Meeting (AGM) every year.

The Board, through the Nomination Committee, will conduct an annual self-evaluation on its effectiveness as a whole, each individual Director and the different Committees established by the Board. The Board will engage, where necessary, independent experts periodically to facilitate objective and candid Board evaluation.

3.2 Board Role

3.2.1 Duties and Responsibilities

The Board assumes, amongst others, the following duties and responsibilities:-

- (1) Reviewing, challenging, deciding and adopting the overall corporate strategies, plans, proposals and directions for the Company;
- (2) Overseeing and evaluating the conduct and performance of businesses of the Company and include strategies on economic, environmental and social considerations underpinning sustainability;

- (3) Identifying and understanding of principal risks and ensuring implementation of a proper risk management system, risk appetite and a sound framework of risk management and internal controls;
- (4) Monitoring and reviewing the adequacy and integrity of management information and management processes aimed at ensuring the integrity of financial and non-financial information with the guidance of Audit and Risk Management Committee;
- (5) Promoting effective communication with shareholders and relevant stakeholders;
- (6) Approving major capital expenditure, acquisitions, disposals and capital management;
- (7) Ensuring Management and the Company's human resources have the necessary skills, experience and resources to carry out their duties;
- (8) Together with Management, promoting good corporate governance structure within the Company; and
- (9) Performing such other functions as are prescribed by the law or assigned to the Board.

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

3.2.2 Matters Reserved for the Board

The following are matters which are specifically reserved for the Board:-

- (1) Approval of corporate strategies and annual budgets, including major capital commitments;
- (2) Approval of new ventures, material acquisitions and disposals of undertakings and properties;
- (3) Appointments to the Board;
- (4) Approval of Directors' fees, remuneration and benefits payable under the guidance of the Remuneration Committee;
- (5) Approve the appointment, resignation or removal of Company Secretaries
- (6) Review and approve the Financial Statements encompassing annual audited financial statements and quarterly reports;

- (7) Review and approve the Audit and Risk Management Committee Report, Statement on Risk Management and Internal Control, Corporate Governance (CG) Overview Statement, CG Report and all other statutory reports for the Annual Report ; and
- (8) Review and approve Financial Authority Approving Limit (FAAL) whereby a project expenditure is in excess of the established limits, viz. RM10 million. The threshold will be reviewed if and when the Board deems appropriate.

3.3 Chairman and Managing Director

The role of the Chairman and the Managing Director (“MD”) are distinct and separate to ensure there is a balance of power and authority.

The Board ensures that its Chairman is a Non-Executive member of the Board.

The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, while the MD has overall responsibility for the day-to-day management of the businesses and implementation of the Board’s policies and decisions.

The responsibilities of the Chairman, amongst others, are as follows:-

- (1) To lead the Board meetings and discussions and ensure the effectiveness of the Board in all aspects of its roles;
- (2) To facilitate the effective contributions of all Directors at Board meetings;
- (3) To promote constructive and respectful relations between Directors, and between the Board and Management;
- (4) To encourage active participation and allow dissenting views to be freely expressed;
- (5) To lead the Board in establishing and monitoring good corporate governance practice in the Company;
- (6) To ensure appropriate steps are taken to provide effective communication with shareholders and relevant stakeholders and their views are communicated to the Board as a whole; and
- (7) To lead the Board on its succession planning program for Board level.

The responsibilities of the MD, amongst others, are as follows:-

- (1) To develop and implement corporate strategies, plans and policies for the Company;
- (2) To supervise Head of Divisions and Departments who are responsible for all functions contributing to the success of the Company;
- (3) To ensure the efficiency and effectiveness of the operations for the Company;
- (4) Day-to-day management of the Company with all powers, discretions and delegations authorized, from time to time, by the Board; and
- (5) To bring material and other relevant matters to the attention of the Board in an accurate and timely manner.

3.4 Board Committees

The Board reserves the rights to establish Committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions to the following Committees to assist in the execution of its responsibilities:-

- (i) Audit and Risk Management Committee;
- (ii) Nomination Committee; and
- (iii) Remuneration Committee

The functions and Terms of Reference of the Board Committees as well as authority delegated by the Board to them have been approved by the Board and are reviewed from time to time to ensure they are relevant and up-to-date. The Committees examine specific issues and the Chairmen of the respective Board Committees report to the Board on the key issues deliberated during the Committee meetings with their recommendations. The ultimate responsibility for decision making lies with the Board.

3.5 Board Meetings

The Board endeavors to meet at least four (4) times a year, at quarterly intervals, with additional meetings to be convened as and when necessary.

Board meetings for each year are scheduled before the end of the previous financial year in order for the Directors to plan their schedules.

All Directors are encouraged to attend Board meetings as many as possible and participate in the deliberations actively, especially when due notice has been

given. Members of Management who are not Directors may be invited to attend and speak at the meetings on matters relating to their sphere of responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when a need arises.

All Directors will be furnished with proper agenda with due notice issued prior to the scheduled Board meetings. Board papers and reports that provide updates on financial, operational and corporate developments are circulated prior to the meetings to all Directors to allow them sufficient time to peruse for effective discussions and decision making during the meeting.

In discharging the Directors' duties and responsibilities, all pertinent issues tabled or highlighted at the meeting in arriving at the decisions and conclusions are properly recorded.

All proceedings of the meetings will be properly recorded by the Company Secretary.

Any Director may participate at a Board meeting or Committee meeting by ways of telephone and video conferencing or by means of other communication equipment in which event such Director shall be deemed to be physically present at the meeting and shall be taken into account in ascertaining the presence of a quorum at the meeting.

The notice of each Board meeting together with the agenda and comprehensive Board papers are circulated to all Directors at least five (5) business days prior to the meeting. Exceptions may be made for certain ad hoc or urgent instances when Directors unanimously consent to short notice.

3.6 Financial Reporting

In the Company's financial reporting via quarterly announcements of results, annual audited financial statements and annual report presentation including Chairman's Statement and Management Discussion and Analysis, the Board provides a comprehensive assessment of the Company's performance and prospects for the benefits of the shareholders, investors and interested parties. Audit and Risk Management Committee also assists the Board in overseeing the Company's financial reporting processes and accuracy, adequacy, integrity and completeness.

The Board ensures that the annual audited financial statements are drawn up in accordance with the requirements of the applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, the provisions of the Companies Act 2016, MMLR of Bursa Securities and other regulatory requirements, so as to provide a true and fair view of the financial position of the Company.

3.7 Directors' Training & Continuing Education

In addition to the Mandatory Accreditation Programme as required by the Bursa Securities, the Directors shall continue to update their knowledge and enhance their skills through attending appropriate continuing education programmes and updates from time to time on relevant new laws and regulations affecting their directorship.

Directors are also from time to time to visit the Company's existing and new stores/shopping malls/business outlets to have a thorough understanding and insights of the Company's operation and strategies.

4. COMPANY SECRETARY

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 of the post.

The key role of the Company Secretary is to provide unhindered advices and services for the Directors as and when a need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.

The primary responsibilities of the Company Secretary include the following:-

- (1) Advise and update the Board on matters related to corporate governance, applicable laws and regulations;
- (2) Ensure the Board procedures and applicable rules are observed;
- (3) Attend Board, Board Committees and general meetings, and to ensure a proper recording of minutes to document the Board proceedings and ensure conclusions are accurately recorded;
- (4) Maintain records of the Board and ensure effective management of the Company's statutory records;
- (5) Assist Chairman in the preparation and conduct of meetings;
- (6) Assist the communication between the Board and Management;
- (7) Prepare agenda and coordinate the preparation of the Board papers; and
- (8) Provide full access and services to the Board and carry out other functions deemed appropriate by the Board from time to time.

5. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Board shall maintain an effective communication process and good relationship with its shareholders, as well as potential investors, analysts and the public.

Major corporate developments and happenings in the Company are duly and promptly announced to all shareholders as to ensure transparency and good corporate governance practices.

Ways of communication to shareholders and investors, amongst others, are as follows:-

- (a) Timely announcements and disclosures made to the Bursa Securities, which include quarterly financial results, annual report, corporate announcements and any other material information that may affect the investors' decision making;
- (b) Conduct regular dialogues both locally and outside Malaysia with financial analysts, fund managers, investors and media to update on the Company's activities and operations;
- (c) Press conference which is normally held after each Company AGM and/or Extraordinary General Meeting (EGM) to provide the media an opportunity to receive an update from the Board on the proceedings at the meetings and to address any queries or areas of interest of the media;
- (d) Press conferences, press release and media interviews during Company's corporate events, business and events launching; and
- (e) Besides retail business promotional activities, AEON's corporate website (<http://www.aeonretail.com.my>) contains information which include corporate profile, Board of Directors, financial results, corporate news and all announcements made to the Bursa Securities. The contact details of designated persons who address any queries are also published on this website.

AGM provides a platform for the shareholders to interact or engage directly with the Board. At each AGM, there is a presentation on the Company's performance and major activities that being carried out during the financial year under review. During the meeting, shareholders are given opportunities to enquire and comment on the Company's performance and operations.

6. RELATIONSHIP WITH STAKEHOLDERS

In addition to maximising shareholders value, the Board recognises the importance of taking consideration the needs and interests of its other stakeholders in the course of pursuing the vision and mission of the Company. Thus, the Board is responsible for:

- a) Ensuring the Company's strategies promote sustainability;

- b) Ensuring effective communication not just with shareholders, but with all stakeholders;
- c) Establishing and maintaining environmental, employment and occupational health and safety policies and sustainability practices; and
- d) Ensuring that the Company remains active on its corporate social responsibilities.

7. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Board shall be supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of the Board papers and reports or upon specific requests, for informed decision making and effective discharge of the Board's responsibilities.

The Directors have ready and unrestricted access to the advices and services of the Company Secretary and if necessary, may obtain independent professional advice at the Company's expense in the furtherance of their duties.

External Auditor also briefed the Board members or its Committees on any new or upcoming financial reporting standards that would have an impact on the Company's financial statements.

8. REVIEW OF BOARD CHARTER

The Board Charter was first adopted by the Board on 29 November 2012. Any subsequent amendment to the Charter can only be approved by the Board.

The Board Charter will be reviewed annually and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

Revised on 28 February 2018.