



**DUTCH LADY MILK INDUSTRIES BERHAD  
REGISTRATION NO. 196301000165 (5063-V)**

**BOARD CHARTER**

**1. INTRODUCTION**

The Directors of Dutch Lady Milk Industries Berhad ("DLMI" or "the Company") regard Corporate Governance as important to the success of DLMI's business and is committed to applying the principles of good governance in all of its business dealings in respect of its shareholders and relevant stakeholders.

- The Board is the focal point of the Company's Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the Company.
- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible to the Company for achieving a high level of good governance.
- This Board Charter shall constitute and form an integral part of each Director's duties and responsibilities.

**2. OBJECTIVES**

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect, and on behalf of, the Company. In pursuit of the ideals in this Board Charter, the intention is to exceed "minimum legal requirements" with due consideration to recognised standards of best practices locally and internationally.

**3. DEFINITIONS**

In this Board Charter, unless the context otherwise requires, the following



abbreviations shall have the meanings set forth opposite such expressions:-

Bursa Securities	:	Bursa Malaysia Securities Berhad
Companies Act	:	Companies Act 2016
Independent Director	:	A Director who does not participate in the management of the Company and who satisfies the criteria for "independence" as set out in the Listing Requirements
Listing Requirements	:	The Main Market Listing Requirements as issued by Bursa Securities
MCCG	:	Malaysian Code of Corporate Governance 2021
SC	:	Securities Commission

#### **4. THE BOARD**

##### **4.1 Role**

- 4.1.1 The Board is charged with leading and managing the Company in an effective and responsible manner. Each Director has a legal duty to act in the best interests of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.
- 4.1.2 The Board understands that the responsibility for good Corporate Governance rests with them and therefore strives to follow the principles and best practices stated in the MCCG. The Board includes a narrative statement in its Company's Annual Report on the extent of compliance with the principles and best practices in Corporate Governance pursuant to Paragraph 15.25 of the Listing Requirements.
- 4.1.3 The Company complies with the various guidelines issued by Bursa Securities and SC relating to disclosure and internal audit functions.
- 4.1.4 The Board meets in person at least once every quarter to facilitate the discharge of their responsibilities. Members of the Management Team who are not Directors may be invited to attend and speak at meetings on matters relating to their sphere of responsibility. Where the Board comprises of Executive Director(s), the Non-Executive Directors shall meet among themselves at least annually to discuss among others strategic, governance and operational issues.



4.1.5 Duties of the Board include establishing the corporate vision and mission, as well as the philosophy of the Company, setting the aims of the Management and monitoring performance of the Management.

4.1.6 The Board assumes the following specific duties:-

- a) Establishing and reviewing the strategic direction of the Company and to ensure that it supports long-term value creation for all of the Company's shareholders and stakeholders and includes risk mitigation and management strategies on economic, environmental and social considerations, underpinning sustainability in all key decision-making processes;
- b) Overseeing and evaluating the conduct of the Company's business. The Board plays a supporting yet watchful role over the performance of the Management;
- c) Identifying principal risks (near-term and long-term) including the economic, environmental, social and governance risks, and ensuring future-proof risk management mechanisms are put in place and that the risks are monitored and properly managed;
- d) Establishing a succession plan;
- e) Developing and implementing a programme for investors relations, shareholders communication, and/or stakeholder engagement and outreach exercise; and
- f) Reviewing the adequacy and integrity of the Company's internal control and management systems.

In carrying out its specific duties, the Board is also guided by the strategic direction, values and corporate goals of the Royal FrieslandCampina Group of Companies ("RFC Group").

4.1.7 The Board has established written procedures determining which issues require a decision of the full Board and which issues can be delegated to Board Committees or the Management.

4.1.8 The Board reserves full decision-making powers, after taking into consideration the policies, procedures and guidelines of the RFC Group, on the following matters:

- a) Conflict of interest relating to a substantial shareholder or a Director or person connected to such substantial shareholder or Director;
- b) Issues or expectations related to a major/critical stakeholder to the Company's business;
- c) Material acquisitions and disposition of assets not in the ordinary course of business;



- d) Investment in capital projects;
  - e) Authority levels;
  - f) Treasury policies;
  - g) Risk management policies; and
  - h) Key human resource issues.
- 4.1.9 The Board and individual Directors may seek advice from independent professionals, at the expense of the Company, on any matter connected with the discharge of their responsibilities.

## **4.2 Composition and Board Balance**

- 4.2.1 The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.
- 4.2.2 To ensure a balanced view at all board deliberations, Non-Executive Directors form a majority in the Board composition.
- 4.2.3 At any one time, at least two (2) or one third, whichever is higher, of the Board members must be Independent Directors. The Board should at all times make best endeavors to have at least 30% women Directors on the Board.
- 4.2.4 Profiles of the Board members are included in the Annual Report of the Company.
- 4.2.5 The Managing Director ("MD") and any other Executive Director(s) are the "Executive" Directors on the Board. The views of the Management Team are represented at meetings of the Board by the Executive Directors and invited members of senior management.
- 4.2.6 The Independent Directors shall provide independent judgment, experience and objectivity without being subordinated to operational considerations.
- 4.2.7 The Independent Directors shall help to ensure that the interests of all shareholders, and not only the interest of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.
- 4.2.8 The views of the Independent Directors should carry significant weight in the Board's decision-making process.



- 4.2.9 If, on any matter discussed at a Board meeting, any Director holds views contrary to those of any of the other Directors, the Board minutes will clearly reflect this.
- 4.2.10 The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to his/her re-designation as a Non-Independent Director.
- 4.2.11 The Board shall adopt a policy which limits the tenure of its Independent Directors to nine (9) years without further extension.

### **4.3 Appointments**

- 4.3.1 In identifying candidates for appointment of Directors, the Board may utilise independent sources in addition to considering recommendations from existing Board members, the Management Team or major shareholders. The appointment of a new Director is a matter for consideration and decision by the full Board upon the appropriate recommendation from the Nominating & Remuneration Committee.
- 4.3.2 New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Company.
- 4.3.3 The Company Secretary has the responsibility of ensuring that relevant procedures relating the appointments of new Directors are properly executed.
- 4.3.4 Upon the appointment of a new Director, the Company Secretary advises the Director of his/her principal duties and responsibilities and explains the restrictions to which he or she is subject to in relation to price-sensitive information and dealings in the Company's securities. Thereafter, all Directors are provided with appropriate briefings on the Company's affairs and regular updates on Corporate Governance, Listing Requirements, Companies Act and other relevant regulations.
- 4.3.5 The Company has adopted an induction programme for newly appointed Directors. The induction programme aims at communicating to the newly appointed Directors, the Company's vision and mission, its philosophy and nature of business, current issues within the Company, the corporate strategy and the expectations of the Company concerning input from Directors. The Company Secretary is primarily responsible for the induction programme.



- 4.3.6 The Company shall continually provide updates to the Board on new developments pertaining to the laws and regulations and changing commercial risks which may affect the Board and/or the Company.
- 4.3.7 In addition to the Mandatory Accreditation Programme (“MAP”) as required by Bursa Securities, Board members are also encouraged to attend training programmes conducted by highly competent professionals and which are relevant to the Company’s operations and business. The Board will assess the training needs of the Directors and disclose in the Annual Report the trainings attended by the Directors.
- 4.3.8 The directorships held by any Board member at any one time shall comply with the provisions of the Bursa Securities Listing Requirements.
- 4.3.9 Executive Directors are not permitted to take on non-executive directorships in another public listed company, unless such company is part of the RFC Group.
- 4.3.10 Non-Executive Directors may serve on the boards of other public companies so long as these commitments do not materially interfere and are compatible with their ability to fulfil their duties as a member of the Board. Directors must advise the Chair in writing in advance of accepting an invitation to serve on the board of another public company.

#### **4.4 Re-election**

- 4.4.1 One third of all the Directors shall retire by rotation at each AGM and may offer themselves for re-election during that AGM.
- 4.4.2 Directors who are appointed after an AGM shall retire at the next AGM and may offer themselves for re-election during that AGM.

#### **4.5 Supply of Information**

- 4.5.1 The Company aims to provide all Directors with timely and quality information and in a form and manner appropriate for them to discharge their duties effectively.
- 4.5.2 The Management is responsible for providing the Board with the required information in an appropriate and timely manner. The Chairperson, assisted by the Company Secretary, assesses the type of information required to be provided to the Board. If the information provided by the Management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.



- 4.5.3 The Board shall meet at least four (4) times a year.
- 4.5.4 A full agenda and comprehensive Board papers shall be circulated to all Directors one (1) week before each Board meeting.
- 4.5.5 Amongst others, the Board papers shall include the following:-
- a) Quarterly financial report and report on the Company's cash and borrowing positions;
  - b) Minutes of meetings of all Committees of the Board;
  - c) A current overview of the business and operations of the Company.
  - d) Reports on Related Party Transactions and Recurrent Related Party Transactions;
  - e) Reports from the Internal and External Auditors; and
  - f) Annual operational and capital expenditure budgets.
- 4.5.6 Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.

#### **4.6 Gender Diversity**

- 4.6.1 The Board acknowledges the importance of gender diversity and recognises the benefits that it can bring. The Nominating & Remuneration Committee considers diversity generally when making appointments to the Board, taking into account relevant skills, experience, knowledge, personality and gender. The Board should at all times make best endeavors to have at least 30% women Directors on the Board. The Company's prime responsibility, however, is the strength of the Board and the overriding aim in any new appointments must always be to select the best candidate available.
- 4.6.2 The Board shall disclose in the Annual Report the Company's policy on gender diversity for the Board and senior management.

#### **4.7 Code of Conduct, Anti-Bribery & Corruption and Whistle-blowing**

- 4.7.1 The Board has adopted the Royal FrieslandCampina Code of Conduct ("Compass") and whistle-blowing ("Speak-Up") policies, which are applicable to directors, officers and employees of the Company.
- 4.7.2 The Board shall ensure that the Company takes steps to be in compliance with Section 17A of the Malaysian Anti-Corruption



Commission Act 2009, which are in line with the Guidelines for Adequate Procedures as prescribed by Section 17A.

#### **4.8 Board Charter Review**

4.8.1 The Board shall review and assess the adequacy of its Board Charter from time to time, as required, to ensure compliance with any rules and regulations promulgated by any regulatory body and approve any modifications to this Board Charter as considered advisable.

#### **4.9 Sustainability**

4.9.1 The Board acknowledges the importance of the Company's "Purpose" beyond the attainment of profits, which is to achieve efficiencies (doing more with less) and equity (creating opportunities and making the Company's business better for the next generation of stakeholders). In the process, the Board appreciates the importance of creating shared value for both shareholders and stakeholders by effectively monitoring and managing economic, environmental, social and governance ("EES&G") risks as well as by adopting responsible business and people practices.

4.9.2 The Board shall at all times make the best endeavors to take various economic, environmental, social and governance risks into account when deliberating on major business decisions and critical projects, including investments in various capitals such as financial capital, human capital, intellectual capital, social capital, etc. with attention to the questions set out in **Appendix 1** herein.

4.9.3 The Board shall disclose in the Company's Annual Report, the Company's Sustainability Statement of Purpose as well as the Company's Sustainability Performance addressing material sustainability matters/ issues of the Company as well as areas of shared value creation, if any.

### **5. CHAIRPERSON, MANAGING DIRECTOR AND SENIOR INDEPENDENT DIRECTOR**

The Company aims to ensure a balance of power and authority between the Non-Executive Chairperson and the Managing Director with a clear division of responsibility between the running of the Board and the Company's business respectively. The positions of Non-Executive Chairperson and Managing Director are separated and clearly defined.

#### **5.1 Chairperson**

5.1.1 The Chairperson is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairperson is responsible for:-





- a) Leading the Board in setting the values and standards of the Company;
  - b) Maintaining a relationship of trust and respect between the Executive and Non-Executive Directors;
  - c) Ensuring the provision of accurate, timely and clear information to Directors;
  - d) Ensuring effective communication with shareholders and relevant stakeholders;
  - e) Arranging regular evaluation of the performance of the Board, its Committees and individual Directors; and
  - f) Facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors.
- 5.1.2 The Chairperson, in consultation with the Managing Director and the Company Secretary, sets the agenda for the Board Meetings and ensures that all relevant issues are on the agenda.
- 5.1.3 The Chairperson is responsible for managing the business of the Board to ensure that, amongst others:-
- a) All Directors are properly briefed on issues arising at Board meetings; including follow up actions;
  - b) Sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings beforehand to enable thorough preparation for the Board discussion; and
  - c) The issues discussed are forward looking and concentrates on strategy and value creation
- 5.1.4 The Chairperson ensures that every Board resolution is put to vote to ensure the will of the majority prevails.
- 5.1.5 The Chairperson ensures that Executive Directors look beyond their executive functions and accept their full share of responsibilities on governance compliance
- 5.1.6 The Chairperson will have no casting vote if two (2) Directors form a quorum, or if there are only two (2) Directors competent to vote on the question at issue.

## **5.2 Managing Director (“MD”)**

- 5.2.1 The MD is the conduit between the Board and the Management in ensuring the success of the Company’s governance and management functions.



- 5.2.2 The MD has the executive responsibility for the day-to-day operation of the Company's business.
- 5.2.3 The MD implements the policies, strategies and decisions adopted by the Board.
- 5.2.4 The MD presents relevant and representative expectations, as well as issues of major/critical stakeholders to the business during Board deliberations and decision making.
- 5.2.5 All Board authorities conferred on the Management is delegated through the MD and this will be considered as the MD's authority and accountability as far as the Board is concerned.

### **5.3 Senior Independent Director ("SID")**

- 5.3.1 The Board may appoint a Senior Independent Director to whom shareholders' concerns can be conveyed if there are reasons that contact through the normal channels of the Chairperson or the Managing Director have failed to resolve them.
- 5.3.2 The Senior Independent Director may act as an intermediary for other Directors where necessary.
- 5.3.3 The Senior Independent Director chairs the meetings in the event where the Chairperson of Sub-Committees of the Board is unable to attend. In the event that the Senior Independent Director is the Chairperson of the Sub-Committee, the members of the Sub-Committee shall elect another Independent Director to chair that meeting.

## **6. BOARD COMMITTEES**

The Board appoints the following Board Committees with specific terms of reference:

- Audit & Risk Committee
- Nominating & Remuneration Committee

Independent and Non-Executive Directors play a leading role in these Committees. The Management and third parties are co-opted to the Committees as and when required. Details of the membership and a summary of the terms of reference of each Committee appointed by the Board are published in the Annual Report.



The Board has approved terms of reference for each established Board committee and shall approve terms of reference for any Board committee created in the future.

## **6.1 Audit & Risk Committee**

6.1.1 The primary purpose of the Audit & Risk Committee ("Committee") is to assist the Board of Directors to:

- (i) discharge its statutory and fiduciary responsibilities of overseeing the financial risk processes and accounting and financial reporting practices within the Group;
- (ii) review the quality of the Company's accounting function, financial reporting and internal controls;
- (iii) enhance the independence of the External and Internal Audit functions by providing direction to and oversight of these functions.

6.1.2 The Audit & Risk Committee shall:

- (i) have authority to investigate any matter within its terms of reference;
- (ii) have full and unrestricted access to any information, records and documents pertaining to the Company;
- (iii) have the resources which are required to perform its duties;
- (iv) have direct communication channels with both the External and Internal Auditors;
- (v) be able to obtain independent professional or other advice; and
- (vi) be able to convene meetings with External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

6.1.3 The Audit & Risk Committee comprises at least three (3) members. All the Audit & Risk Committee members must be Non-Executive Directors with a majority of them being Independent Directors. The Chairperson of the Board shall not be a member of the Audit & Risk Committee. In the event of any vacancy in the Committee (including Chairperson) resulting in non-compliance to the above, the Board shall within 3 months of the event fill the vacancy.

6.1.4 At least one (1) member of the Audit & Risk Committee must be a member of the Malaysian Institute of Accountants, or have at least 3 years' working experience and be a member of one of the



associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.

- 6.1.5 No alternate Director can be appointed as a member of the Audit & Risk Committee.
- 6.1.6 The quorum for the Audit & Risk Committee shall be at least two (2) members present at the meeting.
- 6.1.7 The Company Secretary of the Company shall act as the Secretary of the Audit & Risk Committee.
- 6.1.8 A former key audit partner of the External Auditors shall be subject to a minimum three (3) year cooling-off period before being appointed as a member of the Audit & Risk Committee.
- 6.1.9 The Audit & Risk Committee will elect an Independent Director from amongst them as its Chairperson who shall not be the Chairperson of the Board.
- 6.1.10 A summary of the functions of the Audit & Risk Committee include:-
  - a) To establish policies and procedures to assess, on an annual basis, the suitability, objectivity and independence of the External Auditor, to consider the appointment of the External Auditors and fix their audit fee, and any question of their resignation or dismissal and the reasons thereof;
  - b) To evaluate the performance of External Auditors including reviewing the independence, suitability, objectivity and cost effectiveness, taking into account factors including the competency, adequacy of experience and resources of the firm and professional staff assigned to perform the audit. In making an assessment on the External Auditor's independence, suitability, objectivity and cost effectiveness, the Committee should consider the information presented in the Annual Transparency Report of the audit firm, to the extent that it is applicable;
  - c) To discuss with the External Auditors their audit plan, the nature and scope of audit, evaluation of the Company's systems of internal controls and audit report on the annual financial statements;
  - d) To review the quarterly and annual financial statements of the Company before submission to the Board of Directors, focusing particularly on:-
    - (i) Public announcement of the results and dividend payment;
    - (ii) Any changes in accounting policies and practices;
    - (iii) The going concern assumption;



- (iv) Compliance with approved accounting standards;
  - (v) Compliance with Bursa Securities and legal requirements; and
  - (vi) Significant adjustments arising from the audit
- e) To provide advice on whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance;
  - f) To discuss issues and reservations arising from the interim and final audits, and any matters the External Auditors may wish to discuss, in the absence of Management, where necessary;
  - g) To review the External Auditors' Management letter and Management's response thereon;
  - h) To do the following, in relation to the Internal Audit Department;
    - (i) Review the adequacy of the scope, functions, competency, experience and resources of the Internal Audit Department, and that it has the necessary authority and independence to carry out its work; Review the internal audit plan and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department by Management;
    - (ii) Review and appraise the performance of members of the Internal Audit Department;
    - (iii) Approve any appointment and termination of senior staff members of the Internal Audit Department, and
    - (iv) Takes cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
  - i) To consider any related party transactions and conflict of interest situations that may arise within the Company;
  - j) To consider major findings of any internal investigations and Management's response thereon;
  - k) To review and assess the adequacy of the Enterprise Risk Management framework and controls on a quarterly basis including Enterprise Risk Assessment updates, internal and/or external auditors' evaluation of the framework and controls, mitigating controls and action plans to mitigate identified business risks which enables the Company to update key risks direction, identify material economic, environmental, social or governance (EES&G) risks and



other emerging risks and to define an adequate and practical mitigation action plan where necessary;

l) To review the draft circulars with respect to obtaining shareholders' mandate on any Recurrent Related Party Transactions of a Revenue or Trading Nature, before submission to the Board of Directors; and

m) To consider any other topics, as defined by the Board.

6.1.11 The Audit & Risk Committee meets on a quarterly basis to carry out its functions. The Audit & Risk Committee is also responsible for recommending the person or persons to be nominated to act as the External Auditor and the remuneration and terms of engagement of the External Auditor.

6.1.12 The MD, Finance Director, Internal Audit Manager may attend the meetings at the invitation of the Audit & Risk Committee.

6.1.13 The Nominating & Remuneration Committee will review the performance of the Audit & Risk Committee annually to determine whether the Audit & Risk Committee and its members have carried out their duties in accordance with their terms of reference.

Further details on the duties of the Audit & Risk Committee are contained in the Committee's Terms of Reference.

## **6.2 Nominating & Remuneration Committee**

6.2.1 The Nominating & Remuneration Committee comprises wholly of Non-Executive Directors and a majority of the Committee members are Independent Directors. The Chairperson of the Board shall not be a member of the Nominating & Remuneration Committee.

6.2.2 The Nominating & Remuneration Committee Members shall elect among them its Chairperson who shall be an Independent Director or the Senior Independent Director.

6.2.3 The quorum for the Nominating & Remuneration Committee shall be at least two (2) members present at the meeting.

6.2.4 The Company Secretary of the Company shall act as the Secretary of the Nominating & Remuneration Committee.

6.2.5 The Chairperson of the Nominating & Remuneration Committee shall:

(i) lead the succession planning and appointment of Board members, including the future Chairperson and the MD;

(ii) lead the annual review of the effectiveness of the Board; and



(iii) ensure that the performance of each individual Director is assessed by external consultants on a periodic basis.

6.2.6 The Nominating & Remuneration Committee's primary responsibilities include:-

- a) Leading the process for Board appointments and making recommendations to the Board.
- b) Assessing the effectiveness of the Board as a whole, the Committees of the Board and the individual Directors on an ongoing basis.
- c) Annually reviewing the required skills and core competencies of Non-Executive Directors, including familiarisation with the Company's operations.

6.2.7 Duties

A summary of the Nominating & Remuneration Committee's duties include:-

- a) To be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- b) Evaluate the balance of skills, knowledge and experience on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment of Director.
- c) Review the time required from a Non-Executive Director. The performance evaluation should be used to assess whether the Non-Executive Director is spending enough time to fulfil their duties.
- d) Consider candidates from a wide range of professions backgrounds and look beyond the "usual selection criteria".
- e) Give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company and what skills and expertise are needed on the Board in the future.
- f) Regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regards to any changes.
- g) Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.



- h) Review the performance of the Audit & Risk Committee annually to determine whether the Audit & Risk Committee and its members have carried out their duties in accordance with their terms of reference.
- i) Study and periodically review and to implement policies and procedures governing the remuneration for Directors and senior management.
- j) Make recommendations to the Board on the remuneration and terms of employment for Directors and senior management.
- k) Review the tenure of each Director when assessing the annual re-election of a Director, to ensure that the renewal is contingent on a satisfactory evaluation of the Director's performance and contribution to the Board.
- l) To also review the Board's performance in addressing the Company's material sustainability risks and opportunities when reviewing the performance of the Board.

6.2.8 The Nominating & Remuneration Committee will make the following recommendations to the Board:

- As regards plans for succession for Directors to maintain an appropriate balance of skills on the Board;
- As regards the re-appointment of any Non-Executive Director at the conclusion of their specified term of office;
- Concerning the re-election by shareholders of any Director under the retirement by rotation provisions in the Company's Constitution ;
- Concerning any matters relating to the continuation in office of any Director at any time; and
- Concerning the appointment of any Director to executive or other office other than to the positions of Chairperson and MD, the recommendation for which would be considered at a meeting of the Board.

6.2.9 In the event the Board appoints a new Chairperson, the Nominating & Remuneration Committee will be guided by the following principles prior to making recommendations to the Board:-

- a) That the Chairperson leads the appointment process.
- b) That a systematic evaluation be undertaken to identify the skills and expertise required for the role.
- c) That all short-listed candidates be considered with the possibility of obtaining external advice, if necessary.





Further details on the duties of the Nominating & Remuneration Committee are contained in the Committee's Terms of Reference.

## **7. REMUNERATION LEVEL OF DIRECTORS**

- 7.1 In determining the level of remuneration, the Nominating & Remuneration Committee will take into account all factors which it deems necessary in order to attract, retain and motivate Non-Executive Directors of high calibre who are able to provide the necessary skills and experience as required. The level of remuneration shall be commensurate with the responsibilities of the Non-Executive Directors and should be in alignment with the business strategy and long-term objectives of the Company.
- 7.2 Notwithstanding the above, the Nominating & Remuneration Committee will adopt the remuneration policies, proposals and recommendations from the holding company, Royal FrieslandCampina N.V., for its Executive Director(s), which is applicable within the RFC Group of Companies.
- 7.3 The Managing Director and any other Executive Director(s) are the "Executive" Directors on the Board. No Director other than the Executive Director(s) shall have a service contract with the Company.
- 7.4 A formal review of Non-Executive Directors' remuneration may be undertaken annually. This review shall take into consideration the level of remuneration offered by listed companies of similar size, complexity and risk profile as the Company. The review of remuneration shall cover Directors' Fees, Committee Members' Fees, Meeting Allowances and other benefits normally extended to Non-Executive Directors.
- 7.5 The Nominating & Remuneration Committee shall have access to professional advice on remuneration matters both within the Group and from external specialists in this field.
- 7.6 A detailed disclosure on named basis of the remuneration of individual Directors shall appear in the Company's Annual Report with the need for transparency and accountability in the setting of Directors' remuneration, having regard to the interest of all parties, the Company, the Directors and the shareholders. The remuneration of the members of the Management Team shall be disclosed on an aggregated basis.
- 7.7 Directors who are shareholders shall abstain from voting at general meetings to approve their own fees.

## **8. FINANCIAL REPORTING**

### **8.1 Transparency**

- 8.1.1 The Company aims to present a clear and balanced assessment of the Company's financial position and future prospects that



extends to the interim and price-sensitive information and other relevant reports submitted to Regulators.

8.1.2 The Directors ensure that the financial statements are prepared so as to give a true and fair view of the current financial status of the Company in accordance with the approved accounting standards.

8.1.3 The Company's practice is to announce to Bursa Securities its unaudited quarterly financial results within two (2) months after the end of each quarterly financial period.

8.1.4 The Auditors' Report shall contain a statement from the Auditors explaining their responsibility in forming an independent opinion, based on their audit, of the financial statements.

## **8.2 Company Auditors**

8.2.1 The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the Company Auditors through its Audit & Risk Committee.

8.2.2 The Audit & Risk Committee also keeps under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the Company Auditors. The Company ensures that the Company Auditors do not supply a substantial volume of non-audit services to the Company.

8.2.3 The Audit Committee will give strong consideration to the recommendation of the holding company, Royal FrieslandCampina NV, for the nomination of the Company's External Auditors, in order to ensure consistency within the RFC Group.

8.2.4 The appointment of the Company Auditors is subject to approval of shareholders at General Meetings. The Company Auditors have to retire during the AGM every year and be re-appointed by shareholders for the ensuing year.

## **8.3 Internal Controls and Risk Management**

8.3.1 The Company has an Internal Audit Department, supported by the RFC Group's Corporate Internal Audit and Enterprise Risk Assessment Unit, which critically reviews all aspects of the Company's activities and its internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units are undertaken on a regular basis. The Company's Internal Audit Manager has direct access to the Board through the Chairperson of the Audit & Risk Committee.



- 8.3.2 The Board ensures the system of internal controls is reviewed on a regular and at least once annually, based on a three (3) year proposed audit plan.
- 8.3.3 The Audit & Risk Committee receives reports regarding the outcome of such reviews on a quarterly basis by the Internal Auditor.

## **9. GENERAL MEETINGS**

### **9.1 Annual General Meeting (AGM)**

- 9.1.1 The Company regards the AGM as an important event in the corporate calendar of which all Directors and key senior executives should attend.
- 9.1.2 The Company regards the AGM as the principal forum for dialogue with shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from, the Company's shareholders.
- 9.1.3 The Chairperson encourages active participation by the shareholders during the AGM.
- 9.1.4 The Chairperson, and where appropriate, the MD responds to shareholders' queries during the meeting. Where necessary, the Chairperson will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting.

### **9.2 Extraordinary General Meeting (EGM)**

- 9.2.1 The Directors will consider requisitions by shareholders to convene an EGM or any other urgent matters requiring immediate attention of the Company.

## **10. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATIONS**

- 10.1 The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company and adopts an open and transparent policy in respect of its relationship with its shareholders and investors.
- 10.2 The Board ensures the timely release of financial results on a quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements made during the year.
- 10.3 The Company conducts dialogues with financial analysts and fund managers from time to time as a means of effective communication that enables the Board and Management to convey information relating to



the Company's performance, corporate strategy and other matters affecting shareholders' interests.

- 10.4 A press conference may be held after each General Meeting. If held, the Chairperson or Managing Director will give a press release to advise the media of the resolutions passed, and sharing the Company's results, their prospects and outline any specific event for notation at the press conference. All press releases are vetted by the Finance Director and the Company Secretary to ensure the accuracy and appropriateness of the information.
- 10.5 The Company's website provides easy access to corporate and financial information pertaining to the Company and its activities and is continuously updated.

## **11. RELATIONSHIP WITH OTHER STAKEHOLDERS**

In the course of pursuing the vision and mission of the Company, the Board recognises that no Company can exist by maximising shareholders value alone. In this regard, the needs and interests of other stakeholders are also taken into consideration.

### **11.1 Employees**

- 11.1.1 The Board acknowledges that employees are invaluable resources of the Company and play a vital role in achieving the vision and mission of the Company.
- 11.1.2 The Company adopts comprehensive and documented policies and procedures with respect to the following:-
  - a) Occupational safety and health with the objective of providing a safe and healthy working environment for all employees;
  - b) Industrial relations with the objective of managing employees' welfare and well-being in the workplace; and
  - c) Training, talent management and succession planning practices.

### **11.2 Environment**

- 11.2.1 The Company adopts a comprehensive and documented policies and procedures as part of its commitment to protect the environment and contribute towards sustainable development by the following means:-
  - a) Prevention of pollution, minimisation of waste creation and conservation of natural resources as reasonably practicable; and



- b) Being committed to continually assess and improve all aspects of the Company's environmental performance.

### **11.3 Social Responsibility**

11.3.1 The Board acknowledges that the Company's Social Responsibility is a key pillar of the Company's business strategy. Social Responsibility is considered as an important enabler to ensure the sustainability of the Company's business growth.

11.3.2 The Company believes in leading responsibly and creating a shared value to all its stakeholders through its strategic Social Responsibility initiatives. The initiatives are designed to reach out to consumers, customers, employees and society through four main pillars; leading in providing healthy dairy nutrition, ensuring sustainability in environment and business operations, moving society forward by giving back and by being the leading employer in the dairy industry.

## **12. COMPANY SECRETARY**

- 12.1 The Board appoints the Company Secretary, who plays an important advisory role fulfils the functions for which he/she has been appointed.
- 12.2 The Company Secretary is accountable to the Board through the Chairperson of the Board and Committees on all governance and compliance matters.
- 12.3 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.
- 12.4 The Company Secretary should advise Directors of their obligations to adhere to matters relating to:
  - a) Disclosure of interest in securities;
  - b) Disclosure of any conflict of interest in a transaction involving the Company;
  - c) Prohibition on dealing in securities; and
  - d) Restrictions on disclosure of price-sensitive information.
- 12.5 The Company Secretary must keep abreast of, and inform, the Board of current governance best practices, changes in Listing Requirements and the relevant regulations.
- 12.6 The Board members have unlimited access to the professional advice and services of the Company Secretary.



### **13. APPLICATION**

- 13.1 The principles set out in this Board Charter are:
- a) Kept under review and updated practices on Corporate Governance guidelines as are being issued by the relevant regulatory authorities.
  - b) Applied in practice having regard to their spirit and general principles; and
  - c) Summarised in the Annual Report as part of the Statement on Corporate Governance.
- 13.2 The Board endeavours to comply at all times with the principles and practices set out in this Board Charter.
- 13.3 Review of the Board Charter
- a) The Board will review this Board Charter and the terms of reference of the Board Committees periodically and will make any necessary or desirable amendments to ensure that they remain consistent with the Board and Company's objectives, current laws and best practices.
  - b) Any updates to the principles and practices set out in this Board Charter will be made available on the Company's website.
- 13.4 To the extent that there is any inconsistency between this Board Charter and the Company's Constitution, the Company's Constitution shall prevail.

Dated: 15 November 2022



## Appendix 1

Board conversations on different aspects of sustainability would be critical to gauge emerging / evolving EES&G risks and opportunities that could potentially affect the Company's future orientation and strategic direction, its business model, performance, as well as its reputation. The Board of Directors is expected to deliberate on some of the high-level considerations listed below during Board meetings within the context of Management approaches and focus areas at any given point in time. The objective is to exercise EES&G due diligence, appraise risks and act in the best interests of the Company.

### Economic

How are EES&G risks impacting our business and operations (continuity, performance and growth)?

Which of the EES&G indicators are critical to achieve efficiencies, cost advantages, and improved performance?

How can EES&G help gain a competitive advantage in the marketplace?

What aspects of our supply chain and the related risks need our utmost attention?

Do we have full visibility of our value chain and various EES&G impacts?

### Environmental

What aspects of our business and operations pose highest environmental risks?

How will the emerging regulations affect our current approach to environment related standards, infrastructure, impact and reporting?

What is the big approach to mitigation?

What is the level / scope of ambition on setting science-based targets?

### Social

What are the top risks associated with our people and workforce?

Which specific people issues will affect motivation, performance and productivity levels?

Are DLMI employees able to articulate and demonstrate to the Company's Purpose?

How do we measure Agility, Accountability & Appreciation (AAA) culture using performance indicators across all employees and Board members?

Are there mission critical positions which will be a catalyst for DLMI's future growth?

How are we future-proofing our employees? (upskilling and reskilling to fill mission-critical positions and functions)

### Governance

Are all material risks supported with policy interventions and commitments?

Do we have an independent grievance mechanism to address issues around the material risks?

Do we have a credible data tracking and reporting mechanism to support claims with evidence?

Do we have clear definition of the fiduciary duties of the Board on EES&G agenda?

Have we mapped EES&G performance with management KPIs?

