

HIL INDUSTRIES BERHAD  
(Registration No.: 196901000472 [8812-M])

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# HIL INDUSTRIES BERHAD

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## BOARD CHARTER

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## 1. DEFINITIONS AND INTERPRETATION

In this Charter, unless the subject matter or context dictates otherwise, the following words and phrases shall have the meaning assigned to them herein:

“**Act**” means the Companies Act 2016.

“**AGM**” means Annual General Meeting.

“**Board**” means the Board of Directors of the Company.

“**Bursa Malaysia**” means Bursa Malaysia Securities Berhad.

“**Chairman**” means the Chairman of the Board and is used in a gender-neutral sense.

“**Directors**” means Directors of the Company as defined under the Act.

“**HIL**” or “**the Company**” means Hil Industries Berhad.

“**HIL Group**” or “**the Group**” means the companies within the Company and its subsidiaries.

“**Listing Requirements**” means the Main Market Listing Requirements of Bursa Malaysia.

“**MD**” means the Managing Director of the Company.

“**MCCG**” means the Malaysian Code on Corporate Governance as at 28 April 2021.

“**Management**” means the management personnel of the Company.

“**Secretary**” means the Company Secretary(ies) as provided under Subdivision 4 of Division 2 of the Act.

“**Shareholders**” mean the shareholders of the Company.

## **2. PURPOSE OF BOARD CHARTER**

This Board Charter sets out the Board's strategic intent and outlines, the roles and responsibilities in discharging its fiduciary and leadership functions of the Board of HIL in accordance with the MCGG so as to provide the framework in the performance of the Board's responsibilities vis-à-vis the Company.

The Board's roles and responsibilities are also governed by the Constitution of the Company and the laws and regulations governing companies in Malaysia.

The Board's overriding objective is to increase shareholders' value within an appropriate framework which protects the rights and interests of the Company's shareholders and stakeholders and ensure that the Company is properly managed.

## **3. BOARD STRUCTURE AND COMPOSITION**

### **3.1. Board Composition**

The Board comprises qualified individuals with diverse skills, experiences and background. The composition of the Board promotes diversity and as such it enables various perspectives and views to be given. This facilitates the making of informed decisions and the execution of wholesome stewardship of the Company by the Board.

The appointment of active politicians, as defined in the MCGG, including persons linked directly with the executive powers such as heads of state, heads of government and ministers, to the Board shall be prohibited.

The Constitution provides that:

- (i) the number of Directors shall not be less than two (2) and not more than fifteen (15);
- (ii) each Director must be a natural person who is at least eighteen (18) years of age; and
- (iii) subject to the Listing Requirements and any vacancy arising, at least two (2) Directors or at least half (1/2) of the Board of Directors, whichever is higher, shall be Independent Directors.

The Board comprises Independent Non-Executive Directors (“**INEDs**”) and Non-Independent Executive Directors (“**EDs**”). The composition is reviewed from time to time in accordance with the requirements of the Company. In reviewing the Board composition, the Board takes into consideration the requisite criteria covering individual merit, experience and skills, and where relevant, independence and various aspects of diversity.

The Company shall ensure that the Board has a balanced composition of INEDs in compliance with the Listing Requirements and the MCCG, and consistent with the needs of the Company.

### **3.2. Directors’ Tenure**

The tenure of an Independent Director (“**ID**”) does not exceed a term limit of nine (9) years. Upon completion of the nine (9) years, an ID may continue to serve on the Board as a Non-Independent Director (“**NID**”). If the Board intends to retain an ID beyond nine (9) years, it shall justify and seek annual shareholders’ approval through a “*two-tier*” voting process.

All long-serving IDs of more than 12 years must resign or be re-designated as a NID.

Under the two-tier voting process, shareholders’ votes will be cast in the following manner at the same shareholders’ meeting:

- Tier 1: Only the Large Shareholder(s) of the company votes.
- Tier 2: Shareholders other than the Large Shareholder(s) vote.

Large Shareholder means a person who:

- is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the Company;
- is the largest shareholder of voting shares in the Company;
- has the power to appoint or cause to be appointed a majority of the Directors of the Company; or
- has the power to make or cause to be made, decisions in respect of the business or administration of the Company, and to give effect to such decisions or cause them to be given effect to.

The decision for the resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than one Large Shareholder, a simple majority of votes determine the outcome of the Tier 1 vote.

The resolution is deemed successful if both Tier 1 votes and Tier 2 votes support the resolution.

However, the resolution is deemed to be defeated where the vote between the two tiers differs or where Tier 1 voter(s) abstained from voting.

### **3.3. Role of Board**

The Board is responsible for providing oversight and stewardship to the Company through the following:

- (a) Establishing, reviewing and adopting the strategic plans for the Company;
- (b) Overseeing the conduct and performance of the Company to ensure that they are being properly and appropriately managed;
- (c) Upholding, together with Senior Management, good corporate governance culture and business conduct within the Company and its employees, which reinforces ethical, prudent and professional behaviour;
- (d) Identifying principal risks and ensuring the implementation of appropriate systems to manage those risks;
- (e) Establishing an effective risk management and internal control framework, including regular review of the adequacy and the effectiveness of the framework;
- (f) Reviewing the Company's strategic, capital or funding transactions and monitoring execution of these transactions;
- (g) Ensuring the integrity and adequacy of the Company's financial and non-financial reporting and disclosure;

- (h) Ensuring sound succession plan and continuous development of human capital, in particular of the Senior Management, and there are measures in place for the orderly succession of the Board and Senior Management; and
- (i) Developing and implementing an investor relations programme and putting in place procedures to enable effective communications with shareholders and stakeholders of the Company.

The Board may establish Board Committees that operate under clearly defined Terms of Reference. This is to facilitate the Board's effectiveness and to efficiently discharge its duties and responsibilities. The Board is ultimately accountable and responsible for the affairs and business of the Company.

### **3.4. Role of Directors**

Directors are expected to comply with their legal, statutory and equitable responsibilities when discharging their fiduciary duties in accordance with the Act, the Listing Requirements and best practices under MCGG. The duties of the Directors include:

- acting in good faith and in the best interest of the Company;
- avoiding any conflict of interest with the Company; and
- devoting sufficient time to carry out his or her duties and to attend Board and Board Committee meetings, General Meetings and training programmes.

The INEDs are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgment. They ensure that the interests of all shareholders are taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

The Non-Executive Directors do not participate in the day-to-day management of the Company and do not engage in any business transactions or other relationships with the Company so as to ensure that they exercise their **independent** judgment and act in the best interest of the Company.

The Non-Executive Directors provide an independent view on the running of our business, governance and boardroom best practice. They oversee, constructively challenge and hold to account, management in their implementation of strategy within the Group's system of governance and the risk appetite set by the Board.



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### **3.5. Role of Chairman**

The primary role of the Chairman is to lead the Board to ensure effectiveness in discharging its responsibilities. There is a clear division of responsibilities between the Chairman and the Managing Director. The Chairman of the Board is an ED.

The Chairman of the Board shall not be a member of any HIL Board Committees.

The Chairman's key responsibilities include:

- providing leadership for the Board so that the Board can perform its responsibilities effectively;
- setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- leading Board meetings, general meetings and discussions;
- encouraging active participation and allowing dissenting views to be freely expressed;
- managing the interface between Board and Management;
- ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- leading the Board in establishing and monitoring good corporate governance practices in the Company.

### **3.6. Role of Managing Director**

The Managing Director has the overall responsibility for the day-to-day running of the business and implementation of Board policies and decisions, and leads the Management team.

The separation of power seeks to facilitate an appropriate balance of power to prevent any single individual from dominating deliberations and the decision-making process.

In doing so, the Managing Director is responsible for ensuring that a sound management structure is in place. The Managing Director is an ED.

### **3.7. Role of Senior Independent Director**

The Senior Independent Director is a Non-Executive Director

The SID's responsibilities include:

- To act as a sounding board for the Chairman of the Board;
- To act as an intermediary for other Directors and/or Chairman when necessary;
- To act as a point of contact for shareholders and other stakeholders on areas that cannot be resolved through the normal channels of contact with the Chairman or Managing Director; and
- To execute such other roles as designated by the Board from time to time.

### **3.8. Role of Board Committees**

The Board may from time to time establish Board Committees to assist in discharging its responsibilities. To that end, the Board has established the following Board Committees with their respective Terms of Reference:

- (a) Audit Committee;
- (b) Nominating Committee;
- (c) Remuneration Committee; and
- (d) Sustainability Committee.

The Terms of Reference of the Board Committees may be amended by the:

- (i) Board from time to time; or
- (ii) respective Committees from time to time subject to approval by the Board.

INEDs play a leading role in these Board Committees. Where necessary, the Board may form additional Board Committees.

The Board Committees report to the Board with their recommendations. The ultimate responsibility for decision-making lies with the Board.

### **3.8.1. Audit Committee**

The AC shall comprise at least three (3) members, all of whom must be non-executive directors, with a majority of them being IDs.

The Audit Committee is responsible for providing oversight on the financial reporting process, effective risk management and internal control, and whistleblowing process. The roles and responsibilities of the Audit Committee are provided in its Terms of Reference.

The Board shall appoint a Chairman of the AC from amongst the Board members who are INEDs and who is not the Chairman of the Board.

### **3.8.2. Nominating Committee**

The NC shall comprise at least three (3) members, all of whom must be non-executive directors, with a majority of them being IDs.

The NC is responsible for providing oversight on the Directors' skills, experience and performance, Board composition, Directors' continuous training, and Board and Senior Management succession planning. The roles and responsibilities of the NC are provided in its Terms of Reference.

The Board shall appoint a Chairman of the NC from amongst the Board members who are INEDs and who is not the Chairman of the Board.

### **3.8.3. Remuneration Committee ("RC")**

The RC shall comprise at least three (3) members, all of whom must be non-executive directors, with a majority of them being IDs.

The RC is responsible for the implementation of its remuneration policies and procedures including reviewing and recommending matters relating to the remuneration of the Board and Senior Management. The roles and responsibilities of the RC are provided in its Terms of Reference.

The Board shall appoint a Chairman of the RC from amongst the Board members who are INEDs and who is not the Chairman of the Board.

#### **3.8.4. Sustainability Committee (“SC”)**

The SC shall comprise at least three (3) members, a majority of whom shall be INEDs.

The SC is responsible to review and to make recommendations to the Board on the Company’s policy and performance in relation to the marketplace, environment and social. The roles and responsibilities of the SC are provided in its Terms of Reference.

The Board shall appoint a Chairman of the SC from amongst the Board members who are INEDs and who is not the Chairman of the Board.

#### **3.9. Role of Company Secretary**

The Company Secretary is not only responsible for the preparation of the minutes of the Board and Board Committee meetings and assuming the role of the secretariat for effective functioning of the Board and Board Committee meetings but also plays a key role in advising the Board and Board Committees on matters relating to the compliance with laws, governance, regulations and procedures affecting the Company and advising on the corporate governance best practices.

The responsibilities of the Company Secretary include the following:

- Manage all board and committee meeting logistics, attend and record minutes of all board and board committee meetings and facilitate board communications;
- Advising the Board on its roles and responsibilities;
- Advising the Board on corporate disclosures and compliance with the company and securities regulations, and the Listing Requirements;
- Managing processes pertaining to the annual general meeting;
- Monitoring corporate governance developments and assisting the Board in applying governance practices to meet the Board’s needs and stakeholders’ expectations;
- Serving as a focal point for stakeholders’ communication and engagement on corporate governance issues; and
- Carrying out other functions as deemed appropriate by the Board from time to time.

#### **4. BOARD PROCESSES**

##### **4.1. Board Meetings**

The Board meets every quarter and additional meetings are held as and when required. The quorum for a Board Meeting shall be two (2) Directors.

Senior Management and external consultants may be invited to attend Board meetings to advise, present or report on matters relating to their areas of responsibility.

##### **4.2. Board Committee Meetings**

The AC meets every quarter. The NC, RC and SC meet at least once a year. These Board Committees also hold additional meetings as and when required.

##### **4.3. Financial Reporting**

The Board aims to present a balanced and meaningful assessment of the Company's financial performance primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the AC in overseeing the Company's financial reporting process and the quality of the financial reporting.

##### **4.4. Non-Financial Reporting**

Non-financial reporting by the Board will be done through the relevant sections in the Company's Annual Report covering amongst others, Management Discussion And Analysis, and Corporate Governance Overview, as well as other announcements by the Company on its website or press statements.

##### **4.5. Decision-making**

The Board makes decisions based on majority votes with each Director having one vote and in case of an equality of votes, the Chairman shall have a second or casting vote subject to the Company's Constitution.

#### **4.6. Monitoring**

The Board monitors the performance of the Company via reports tabled at Board and Board Committee meetings and through regular engagements between the Board, Managing Director and the Management as and when necessary.

#### **4.7. Access to Advice**

All Directors have direct access to Management and the Company Secretary for advice and information related to the Company and the Group in discharging their duties.

The Board and/or individual Directors may also seek independent professional advice at the Company's expense on specific issues to enable the Board to discharge its duties.

### **5. BOARD RESPONSIBILITIES**

#### **5.1. Policy and Strategy**

The Board has the responsibility for reviewing and approving the Company's strategic plans, targets and policies proposed by the Management. The Board is also responsible for monitoring and overseeing the effective implementation of the policies and plans.

#### **5.2. Ethics and Compliance**

The Board has in place a compliance and ethics programme to ensure compliance with applicable rules and regulations and adherence to policy and procedures in relation to business ethics, in particular, prevention of corrupt practices and avoidance of conflicts of interest.

#### **5.3. Board Compliance**

The Board is governed by the requirements of the Act, Listing Requirements, MCCG and other applicable laws.

#### **5.4. Ethical Standards**

The Company's Code of Conduct and Business Ethics ("CoCBE") governs the standards of ethics and responsible business conduct expected from the Directors and employees of the Group, individually and as a team at every level.

The Directors of the Company shall continue to be guided by the attached "*Company Director's Code of Ethics*" issued by the Companies Commission of Malaysia.

The Board has endorsed the Anti-Bribery and Corruption Policy and will continue to uphold the aforementioned policy.

The Board has established the appropriate policy and procedures in managing whistleblowing cases. The oversight function to ensure the effectiveness of whistleblowing process is under the purview of the AC.

#### **5.5. Risk Management and Internal Control**

The Board acknowledges its overall responsibility for continuous maintenance of a sound risk management framework and internal control to safeguard shareholders' investment and the Group's assets by:

- (a) identifying the principal risks affecting the Company and ensuring the implementation of appropriate plans; and
- (b) establishing a sound system of risk management and internal control to manage or mitigate those risks.

The Board has adopted a Risk Governance Framework to ensure all business risks are prudently identified, evaluated and managed in accordance with acceptable international standards, principles and guidelines on risk management. This includes setting the risk appetite and identifying the risk parameters and thresholds and boundaries for the Company.

The AC, via the Internal Audit, periodically reviews and/or tests the adequacy and effectiveness of the Group's internal control system to ensure that the system is viable and robust.



## **5.6. Investors Relations**

The Board has in place an Investor Relations (“IR”) platform and oversees the proper development and implementation of an IR programme. This is to ensure continuous communication between the Company and its stakeholders and to facilitate mutual understanding of each other’s objectives and expectations. The Board is committed to ensuring timely dissemination of material information to the stakeholders.

The IR activities include dialogues with shareholders via general meetings and other means of communication which include announcements to Bursa Malaysia and the Company’s website as well as having dedicated meetings for analysts and potential investors.

## **5.7. Sustainability and Health, Safety and Environment**

The Board is committed to giving attention to strategies relating to the health, safety and environment, and compliance with the relevant laws, rules and regulations. The Board also places emphasis on the formulation of strategies to promote sustainability.

# **6. BOARD DEVELOPMENT**

## **6.1. Succession Planning**

The Board considers and deliberates on the succession plan of the Directors on an annual basis which includes review of the Board’s required mix of skills, experience and diversity, and review of the tenure of INEDs on the Board and proposals for retirement and/or re-election of Directors.

The Board also considers and deliberates on the succession plan of the Managing Director and the Senior Management of the Company.

## **6.2. Board and Directors’ Assessment**

An assessment of the Board and individual Directors’ performance and effectiveness is conducted annually.

## **6.3. Directors’ Compensation**

The Board is guided by the market and industry practices and the skills, expertise and responsibilities of the Directors in determining the amount of compensation to be paid to the Directors.

#### **6.4. Directors' Induction and Training and Development Programmes**

The Company adopts continuous and relevant educational/training programmes and awareness sessions for Directors in relation to developments pertaining to the laws and regulations, commercial risks, strategic planning, corporate governance, industry related and current issues which may affect the Board and/or the Company.

#### **6.5. Directors' Training and Development**

All newly-appointed Directors are required to attend the Mandatory Accreditation Programme under the Listing Requirements within four (4) months from the date of appointment and continuous education programmes to ensure that they understand:

- (i) their roles and responsibilities;
- (ii) the Board's expectation in terms of their knowledge contribution;
- (iii) the nature of the Group's business;
- (iv) current issues faced; and
- (v) strategies adopted by the Group.

All Directors are encouraged to attend relevant training programmes or seminars each year to ensure that they are updated on changes in laws and regulations, risks, financial reporting standards as well as sustainability issues relevant to the Company and its business including climate-related risks and opportunities and to continuously upgrade their knowledge and skills for effective discharge their duties as a Director.

### **7. AMENDMENTS**

This Board Charter may be reviewed and amended by the Board as and when necessary. Any updates to this Board Charter shall be made available on the corporate website.

## **COMPANY DIRECTOR'S CODE OF ETHICS**

(Issued by Companies Commission of Malaysia)

### **A. INTRODUCTION**

Malaysia is increasingly dependent on private sector for sustainable growth of trade and business activities and the economy as a whole, more so with the buoyant economy and the privatisation of the nation's postal, telecommunication, power and sewerage treatment operations have exposed company reports and accounts to unusually close scrutiny. The business environment and laws are continually becoming more complex and these have imposed a greater demand for reasonable competence among company directors.

It is important that there exists an acceptable level of corporate behaviour not devoid of professionalism and credibility to uphold good corporate integrity. Experiences within the country have critically exposed the need to formulate standards of corporate behaviour to create an ethical corporate climate.

### **B. PRINCIPLES**

The principles on which this Code rely are those that concern transparency, integrity, accountability and corporate social responsibilities.

### **C. OBJECTIVES**

This Code of Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with a view to achieving the following objectives:

1. To establish standards of ethical conduct for directors based on acceptable belief and values one upholds.
2. To uphold the spirit of social responsibility and accountability in line with the legislations, regulations and guidelines governing a company.

### **D. DEFINITION**

In the context of this Code, a company director means any person occupying the position of director of a corporation by whatever name called, and includes a person in accordance with whose directions and instructions the directors of a corporation are accustomed to act, and an alternate or substitute director. A director also includes both executive and non-executive director as well as executive and non-executive chairman.

**E. CODE OF CONDUCT**

In the performance of his duties, a director should at all times observe the following Codes:

**1. Corporate Governance**

- 1.1. Should have a clear understanding of the aims and objectives, capabilities and capacity of the company;
- 1.2. Should devote time and effort to attend meetings and to know what is required of the board and each of its directors, and to discharge those functions;
- 1.3. Should ensure at all times that the company is properly managed and effectively controlled;
- 1.4. Should stay abreast of the affairs of the company and be kept informed of the company's compliance with relevant legislations and contractual requirements;
- 1.5. Should insist on being kept informed on all matters of importance to the company in order to be effective in corporate management;
- 1.6. Should limit his directorship of companies to a number in which he can best devote his time and effectiveness; each director is an own judge of his abilities and how best to manage his time effectively in the company in which he holds directorship;
- 1.7. Should have access to the advice and services of the company secretary, who is responsible to the board to ensure proper procedures, rules and regulations are complied with;
- 1.8. Should at all times exercise his powers for the purposes they were conferred for the benefit and prosperity of the company;
- 1.9. Should disclose immediately all contractual interests whether directly or indirectly with the company;
- 1.10. Should neither divert to his own advantage any business opportunity that the company is pursuing, nor may he use confidential information obtained by reason of his office for his own advantage or that of others;
- 1.11. Should at all times act with utmost good faith towards the company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties; and
- 1.12. Should be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the company is at stake.

**2. Relationship with Shareholders, Employees, Creditors and Customers**

- 2.1. Should be conscious of the interest of shareholders, employees, creditors and customers of the company;
- 2.2. Should at all times promote professionalism and raise competency of management and employees; and
- 2.3. Should ensure adequate safety measures and provide proper protection to workers and employees at workplaces.

**3. Social Responsibilities and the Environment**

- 3.1. Should ensure that necessary steps are taken in accordance with the law to properly wind up or strike-off the company register if the company has not commenced business or has ceased to carry on business and is not likely to commence business in future or again to carry on business as the case maybe;
- 3.2. Should adopt an objective and positive attitude and give the utmost cooperation for the common good when dealing with governmental authorities or regulatory bodies;
- 3.3. Should ensure effective use of natural resources and to improve quality of life by promoting corporate social responsibilities;
- 3.4. Should be more proactive to the needs of the community and to assist in society related programme in line with the aspirations of the concept of 'Caring Society' in Vision 2020; and
- 3.5. Should ensure that the activities and the operations of the company do not harm the interest and wellbeing of the society at large and to assist in the fight against inflation.