

# **HONG SENG CONSOLIDATED BERHAD**

Registration No. 200101001581 (537337-M)

## **BOARD CHARTER**

Revision Date : []

Custodian : Finance Department

### 1.0 INTRODUCTION

The Board of Directors (“**Board**”) is responsible for the performance and affairs of the Company and its subsidiaries (collectively the “Group”). All Board members are expected to show good stewardship and act in a professional manner and should have sound and sufficient knowledge and expertise to enable effective governance and oversight. The Board shall, in so far possible, apply the principles and practices of good corporate governance in all its dealings for, or on behalf of the Company and to uphold the core values of integrity and enterprise as part of their fiduciary duties and responsibilities.

### 2. PURPOSE

The purpose of the Board Charter is to set out the roles, duties and responsibilities as well as the composition and processes to enable all Board members, to be aware of their duties and responsibilities at all times.

The Board Charter also serves as a comprehensive guide for prospective or new Board members to understand their roles and responsibilities and the commitment of time and contribution expected of them.

This Board Charter is subject to the relevant provisions of the Companies Act 2016, the Company’s Constitution, the Bursa Malaysia Securities Berhad (“**Bursa Securities**”) Main Market Listings Requirements (“**MMLR**”), the recommended principles and practices of the Malaysian Code on Corporate Governance (“**MCCG**”), as considered appropriate, and any other applicable laws or regulatory requirements.

### 3. THE BOARD

#### 3.1 Composition

The Board shall comprise a balance of executive and non-executive directors with at least one (1) women director who are experienced and competent and have the time to effectively discharge their role as director of the Company.

Pursuant to the power given in the Constitution of the Company, the Company may increase or reduce the number of directors by ordinary resolution passed at general meeting. Presently, the number of directors shall not be less than 2 or more than 12.

In accordance with the MMLR, the Company must ensure that at least 2 directors or 1/3 of the Board, whichever is the higher, are independent directors. If the number of directors of the Company is not 3 or a multiple of 3, then the number nearest 1/3 must be used. In the event of any vacancy in the Board resulting in non-compliance with MMLR as stated herein in this paragraph, the Company must fill the vacancy within 3 months. Nevertheless, the Company will at its best endeavor comply with the recommendation in the MCCG to have at least half of the board members comprises independent directors.

As recommended by MCCG, the Company has incorporated the following provision in its Constitution with regard to tenure limit of independent director and upon recommendation from the Nominating Committee, justify and seek annual shareholders’ approval in accordance with the Company’s Constitution:-

*The independent director, as defined by the MMLR, shall be subject to:-*

- (a) *Annual re-appointment by the members at annual general meeting by ordinary resolution through a two-tier voting process as recommended by the MCCG if he has served for a cumulative term of beyond nine (9) years; and*

- (b) *Redesignation to non-independent director should the said director continue to serve on the Board for a cumulative term of beyond twelve (12) years.*

The Board is responsible to determine the appropriate size of the Board and the appointment of new director is a matter for consideration and decision by the Board, upon the recommendation from the Nominating Committee. The Nominating Committee will consider the required mix of skills, experience, other qualities and diversity, including gender, where appropriate, which the Director should bring to the Board.

In accordance with the Company's Constitution, one-third (1/3) of the Directors for the time being or if the number is not multiple of three, then the number nearest to one-third (1/3) with a minimum of one (1) shall retire from office at each annual general meeting. A retiring Director is eligible for re-appointment. It provides that any new or additional Director appointed by the Board during the year shall hold office until the next annual general meeting and shall then be eligible for re-election. The election of each Director is voted separately.

### **3.2 Chairman, Executive Directors and other Directors**

The positions of Chairman and Executive Directors are distinct and separated to ensure that there is a balance of power and authority. The Chairman, in leading the Board in its collective oversight of the management, is responsible for ensuring the smooth and effective functioning of the Board, while the Executive Directors are responsible for day to day management of the business and implementation of the Board's policies and decisions. The Executive Directors in association with the Chairman shall jointly oversee some of the divisional functions of the Group.

The Executive Directors leads the management of the Company in making and implementing the day-to-day decisions on the business operations, managing resources and risks in pursuing the corporate objectives of the Group. They brings material and other relevant matters to the Board, motivates employees, and drives change/innovation and growth within the Group.

On the other hand, the presence of the Independent Directors, would provide the necessary checks and balances on the decision making process of the Board.

### **3.3 Role and Responsibilities of the Chairman**

The Chairman is elected by the Board members to provide leadership at Board level so that the Board can perform its responsibility effectively and represents the Board to the shareholders and other stakeholders. The Chairman is responsible for ensuring integrity and effectiveness of the Board and its Committees.

The Chairman is required, amongst others, to:

- (a) Facilitate all Board meetings and ensure the appropriate level of interaction among Board members, subsidiary Board members and senior management;
- (b) Leading the Board in the adoption and implementation of good governance practices in the Company;
- (c) Ensure a balance composition of skills, knowledge and experience within the Board and an effective working, reporting and communication mode is present;
- (d) Ensure that material matters in respect of the business or governance of the Company or the Group are tabled and ventilated effectively for Board decision making;

- (e) Ensure all board committee meetings are conducted separately from the main board meeting to enable objective and independent discussion during the meeting;
- (f) Monitor the performance of the individual and collective roles of the directors and the Board;
- (g) Maintain a regular and constructive dialogue with the Group Managing Director and senior management in respect of all material matters affecting the Company and the Group and to consult with the other Board members promptly and appropriately; and
- (h) Chair all meetings with the shareholders i.e. annual general meeting and extraordinary general meeting.

### **3.4 Role and Responsibilities of the Board**

- (a) Reviewing, approving and monitoring the overall strategies and direction of the Group;
- (b) Overseeing and evaluating the conduct and performance of the Group's businesses, including its control and accountability systems;
- (c) Identifying and managing principal risks affecting the Group;
- (d) Reviewing the adequacy and integrity of the Group's internal control systems, including systems for compliance with applicable laws, regulations, rules and guidelines;
- (e) Approving major capital expenditure, capital management and acquisitions/divestitures;
- (f) Ensuring that the statutory accounts of the Company are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
- (g) Ensuring high standards of ethics and corporate behaviour in the conduct of business;
- (h) Approving policies relating to investors relations programme and shareholder communication and overseeing stakeholders communications;
- (i) Commitment in governing management and providing oversight of the Company, including the appointment of senior management, the implementation of appropriate policies and procedures that govern management conduct, stay abreast with and understand sustainability issues relevant to the Company and its business and together with the Management takes responsibility for the governance of sustainability in the Company including setting the Company's sustainability strategies, priorities and targets; and monitoring of performance and succession planning; and
- (j) Identifying a designated person within management to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the Company.

### 3.5 Role and Responsibilities of individual Directors

Directors are accountable to their shareholders and should use their best efforts to ensure that the Company and the Group are properly managed and constantly improved so as to protect and enhance shareholder value, and to meet the Company's obligations to all parties with which the Company interacts, i.e. its stakeholders. Their responsibilities include, amongst others, the following:

- (a) Directors are appointed to act in the interests of the Company and an important area of their legal responsibilities derives from trust law on the fiduciary duty to act in the interests of the Company, which includes the interests of the shareholders;
- (b) They are under a duty to exercise reasonable skill and care in the discharge of their functions;
- (c) Directors are required to exercise the utmost good faith towards the Company in all their actions and to act honestly in the exercise of the powers and in the discharge of the duties of their office;
- (d) Directors are expected to be actively involved not only in Board meetings but general meetings of shareholders;
- (e) Acquiring knowledge about the business of the Company and the Group, the statutory and regulatory requirements affecting effective discharge of their duties, being aware of the physical, political and social environment in which it operates;
- (f) Assisting the Chairman in providing the Company and the Group with effective leadership; and
- (g) Being available to advise management between Board meetings when necessary.

### 3.6 Role and Responsibilities of Executive Directors

The Executive Directors provides executive leadership and is accountable to the Board for the implementation of the strategies, objectives and decisions of the Board within the framework of delegated authorities, values and policies of the Company. The Executive Directors are appointed by the Board on recommendation of the Remuneration and Nominating Committees.

The Executive Directors are accountable to the Board, amongst other things, on the following:

- (a) The Executive Directors have direct reporting line to the Board and not to the shareholders of the Company. The Executive Directors are the conduit between the Board and Management in ensuring the success of the Company's governance and management functions;
- (b) The Executive Directors are responsible for the development and implementation of corporate strategies for the Group and setting the overall strategic policy and direction of the Group's business operations based on effective risk management controls;
- (c) The overall co-ordination, monitoring and control of the operations and day-to-day management of the Group;
- (d) Ensuring sound administration, financial and asset management by developing and implementing efficient systems and procedures for the effective utilisation of the Group's resources to optimise returns;

- (e) Providing leadership to the Management and ensuring the recruitment and management of competent managers and support staff and ensure their continued development through the formulation and implementation of human resources management strategies;
- (f) Promoting and developing strong, cordial and amiable relationships with all external parties that affect and contribute to the image, growth and development of the Group; and
- (g) Serve as the spokespersons of the Company and the Group.

### **3.7 Role and Responsibilities of the Group Chief Executive Officer**

The responsibilities of the Group Chief Executive Officer, in general, are:

- (a) Developing and proposing for the Board's approval, strategic plan and annual budget for the Company to ensure achievement of the objectives set by the Board;
- (b) Communicating to the staff and implementing the strategic plan approved by the Board and any decision of the Board to ensure that the objectives of the Company that were approved by the Board are met;
- (c) Running and managing the operations of the Group in a proper manner and in accordance with the Board approved strategic plan within the authority limit set by the Board;
- (d) Setting up an appropriate and effective internal control measures and risk management framework. Identifying, assessing key risks, managing and monitoring key risks;
- (e) Assisting the Board in the establishment of the Company or the Group's policies by developing such policies for the Board's review and approval for the Company and the Group's adoption and implementing the approved policies;
- (f) Developing effective management information and internal control systems of the Group to ensure that integrity and adequacy of the systems are intact;
- (g) Reporting to the Board periodically on the performance of the Group against the approved plan and budget as well as other matters that is under the Board's purview, to enable the Board to discharge its responsibilities effectively; and
- (h) Reporting to the Board on matters that required their decision/approval or of significance to the Company and the Group.

In the absence of a Group Chief Executive Officer, the above functions would be carried out by the Executive Directors.

### **3.8 Role and Responsibilities of the Independent Directors**

The Independent Directors are not Executive Directors of the Company and the Group. They are independent of management and free from any significant business or other relationships with the Company or the Group. Hence, they are able to provide an unfettered and unbiased independent judgement and to promote good corporate governance in their role as Independent Directors.

Their various roles in Board Committees also contribute towards the enhancement of corporate governance and control within the Group.

**3.9 Role and Responsibilities of Senior Independent Director**

The Board may appoint a Senior Independent Director to whom concerns relating to the Company and the Group can be conveyed. The roles of the Senior Independent Director would include the following:-

- (a) acts as a sounding board to the Chairman (e.g. offer counsel to the Chairman on matters such as board dynamics and concerns of stakeholders);
- (b) serves as an intermediary for other Directors when necessary (e.g. facilitate confidential discussions with Directors who may have concerns which they believe have not been properly considered by the Board or which they feel may not be appropriate to raise in open forum or with the chairman directly); and
- (c) acts as point of contact for shareholders and other stakeholders particularly on concerns which cannot be resolved through the normal channels of the Chairman and/or Executive Directors;

**3.10 Matters Reserved For The Board**

The following are matters specifically reserved for the Board's deliberation and decision making:-

- (a) Review, evaluate, adopt and approve the policies and strategic plans for the Company and the Group to ensure that the strategic/business plan of the Company and the Group supports long term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- (b) Review, evaluate and approve any restructuring proposal, corporate exercises, investments or divestments, material acquisitions and disposals of undertakings and assets in the Group;
- (c) Approval of risk management policies, review of financial statements, financial and borrowing activities, annual budgets including major capital commitments and capital expenditure budgets, dividend policy, new issues of securities;
- (d) Approval of new major ventures;
- (e) Appointment of all other Board members, Board Committee members, Chairman, Chief Executive Officers, Managing Director and the Company Secretary;
- (f) Nomination and appointment of internal and external auditors and ensuring compliances of regulatory and reviewing the adequacy and integrity of internal controls; and
- (g) Any other matters which are required to be approved by the Board pursuant to the applicable rules, laws and regulations.

### 3.11 Board Processes

#### **Scheduling of Board meetings**

The Board shall meet at least 4 times every year based upon a schedule set on yearly basis.

Apart from the pre-scheduled Board meetings, the Board may for the purpose of urgent matters, convenes ad-hoc Board meetings at any time during the year.

#### **Agenda item for Board meetings**

The agenda of the meeting is decided upon focusing on matters that requires Board decision, approval, directions and on items that are truly the Board's responsibility.

The Secretary shall discuss with the Executive Directors on the agenda item. The final agenda for the meeting would be given to the Chairman and/or Executive Directors for approval and clearance.

Any Director may request for inclusion of any matter in the agenda for a particular Board meeting. The request must be sent 7 days before the meeting for the Executive Directors' approval.

#### **Board meeting materials distributed in advance**

The Executive Directors to inform/remind the relevant head of department to submit their report/materials on presentation to the Secretary at least 7 days before the meeting.

All meeting materials/report/papers as well as the notice and agenda will be compiled in a meeting file and to be distributed to all the Directors within an appropriate timeline for perusal. In case where the subject matter/agenda item is price sensitive or otherwise confidential or in a state of flux, the presentation is directly made at the meeting.

#### **Convening a Board Meeting**

The quorum necessary for the transaction of business of the Directors shall be fixed by the Directors from time to time and unless so fixed, the quorum shall comprise 2 Directors.

Questions arising at any Board meeting shall be decided by a majority of votes, each Director having 1 vote and in case of an equality of votes, the Chairman shall have a second or casting vote except when only 2 Directors are present and form a quorum or only 2 are competent to vote on the question at issue whereupon the Chairman shall not have a casting vote.

### 3.12 Board and Directors Professional Development

The Board is required to be kept up-to-date with current business, industry, regulatory and legislative developments and trends that will affect the Company and the Group's business operations and sustainability.

The Board and its Director's professional development are:

- (a) Newly appointed Board members are mandated to attend the Mandatory Accreditation Programme as required under the MMLR of Bursa Securities within 4 months from the date of appointment or any prescribed timeline as amended by Bursa Securities from time to time;



- (b) Newly appointed Board members, when taking up office, would be briefed on the terms of their appointment, duties and responsibilities. New members will also be briefed on the operations of the Group to increase their understanding of the business and the environment and markets in which the Group operates;
- (c) Formal training and continuous education programs and workshops for the directors encompassing topics on directorship, business, industry, regulatory and legislative; and
- (d) Informal sessions and discussion forums for the Directors to share experiences and have constructive deliberations.

The training needs of each Director is to be assessed and proposed by the individual Director. Each Director determines the areas of training that he/she may require for personal development as a Director or as a member of the Board Committees.

#### 4. THE BOARD COMMITTEES

The Board may from time to time establish appropriate committees to assist in carrying out its duties and responsibilities.

The Board shall set up different Board Committees with different functions to assist the Board in discharging its fiduciary duties. These Committees do not make decision on behalf of the Board and the Company. It is each committee's duty to review the matter under its purview and make the necessary recommendation to the Board for its consideration and decision making.

The Committees established by the Board are as follows wherein the Chairman of the Board shall not be a member of the said Committees:-

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

Each Committee's roles have been spelt out in its own specific terms of reference as approved by the Board. The powers and authority delegated to these Committees are also set out in the terms of reference of each of the Committees. The terms of reference of the Committees shall be reviewed periodically and amended accordingly after approval by the Board. The chairman of all Committees shall be available at the Company's annual general meeting and all other general meetings to respond to relevant questions or queries.

The Board may also establish and delegate specific functions to ad-hoc committees as and when required.

The evaluation of the Committees and its members, including the chairman thereof, will be performed annually.

The existence of the Committees does not diminish the Board's ultimate responsibility over the functions and duties of these Committees.

#### 5. BOARD CODE OF CONDUCT AND ETHICS

5.1 The Board commits itself and its Directors to ethical, business-like, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. Accordingly,

- (a) Directors must represent unconflicted loyalty to the interests of the Group. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other boards or staff. It also supersedes the personal interest of any Board member acting as a consumer of the Group's services;

- (b) Directors may not attempt to exercise individual authority over the Company and the Group except as explicitly set forth in the Constitution and any Group policy and procedure manual in existence. This curtails interaction with the Executive Directors, management, public, press and other entities;
- (c) Directors will respect the confidentiality appropriate to issues of a sensitive nature;
- (d) Directors must avoid conflict of interest with respect to their fiduciary responsibility;
- (e) Directors should have a clear understanding of the aims and purpose, capabilities and capacity of the Company;
- (f) Directors 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;
- (g) Directors should ensure at all times that the Group is properly managed and effectively controlled;
- (h) Directors should stay abreast of the affairs of the Group and be kept informed of the Group's compliance with the relevant legislation and contractual requirements;
- (i) Directors should insist on being informed on all matters of importance to the Group in order to be effective in corporate management;
- (j) Directors should limit their directorship of companies to a number in which they can best devote their time and effectiveness; each director is his own judge of his abilities and how best to manage his time effectively in the Group in which he holds directorship. Directors shall notify the Board Chairman before accepting new directorship and such notification shall include indication of time to be spent on the new appointment;
- (k) Directors should have access to the advice and services of the Secretary, who is responsible to the Board to ensure proper procedures, rules and regulations are complied with;
- (l) Directors should have access to consultancy of independent adviser and to seek independent professional advice at the expense of the Company. The Director who intends to seek such consultation or advice shall notify the Secretary of such request. The Secretary shall forward the request to the Board Chairman for approval. Upon obtaining the Board Chairman's approval, the Director shall engage the services of the adviser. All advices and opinions from the advisers shall be reported to the Board.
- (m) Directors should at all times exercise their powers for the purposes they were conferred, for the benefit and prosperity of the Group;
- (n) Directors should disclose immediately all contractual interests whether directly or indirectly with the Company;
- (o) Directors should neither divert to their own advantage any business opportunity that the Group is pursuing, nor may they use confidential information obtained by reason of their office for their own advantage or that of others;
- (p) Directors should at all times act with utmost good faith towards the Group in any transaction and to act honestly and responsibly in the exercise of their powers in discharging their duties;
- (q) Directors should be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the Group is at stake;

- (r) On relationship with Shareholders, Employees, Creditors and Customers,
  - (i) Directors should be conscious of the interest of the shareholders, employees, creditors and customers of the Company and the Group;
  - (ii) Directors should at all times promote professionalism and improve the competency of management and employees; and
  - (iii) Directors should ensure adequate safety measures and provide proper protection to workers and employees at the workplace.
- (s) On Social Responsibilities and the Environment,
  - (i) Directors should adopt an objective and positive attitude and give the utmost cooperation for the common good when dealing with government authorities or regulatory bodies;
  - (ii) Directors should ensure the effective use of natural resources, and improve quality of life by promoting corporate social responsibilities;
  - (iii) Directors should be more proactive to the needs of the community and to assist in society-related programmes;
  - (iv) Directors should ensure that the activities and the operations of the Group do not harm the interest and well-being of society at large and assist in the fight against inflation; and
  - (v) Directors 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 the future or resume business, as the case may be.

### 5.2 Disclosure and Conflict of Interest

The Constitution of the Company stipulates that every Director shall comply with the provisions of the Companies Act 2016 in connection with the disclosure of the following:

1. interest in shares, debentures, participatory interests, rights, options; and
2. interest in any contract or proposed contract with the Company.

The guidelines for the Board and its Directors on conflict of interest are, among others, the following:

1. Directors must act in good faith at all times, where believing to be in the best interest of the Group. The definition of “interest” shall bear the meaning provided in Section 8 of the Companies Act 2016;
2. Directors have a general duty to make disclosure by giving written notice within a stipulated period to the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company or its officers to comply with the Companies Act 2016 (or similar legislation) and other relevant legislative requirements; and
3. No director may vote in respect of any other contract or proposed contract or arrangement in which he is interested, directly or indirectly, nor any contract or proposed contract or arrangement with any other company in which he is interested, directly or indirectly, either as an officer of that other company or as a holder of shares or other securities in that other company.

## **BOARD CHARTER**

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### **REVIEW OF BOARD CHARTER**

The Board Charter shall be reviewed periodically (subject to at least once in every 3 years) and updated in accordance with the needs of the Group and any new regulation that may have an impact on the discharge of the Board's responsibilities.

The Board Charter is made available for reference in the Company's website.