

# **BATU KAWAN BERHAD**

(6292-U)

## **BOARD CHARTER**

## TABLE OF CONTENTS

1.	INTRODUCTION .....	3
2.	PURPOSE .....	3
3.	THE ROLE OF THE BOARD .....	3
4.	BOARD COMMITTEES .....	4
5.	BOARD SIZE AND COMPOSITION .....	5
6.	TERMS OF REFERENCE .....	6
7.	BOARD PROCESSES .....	9
8.	POSITION DESCRIPTIONS .....	10
9.	DIRECTORS' CONTINUING EDUCATION .....	11
10.	ACCESS TO MANAGEMENT AND OUTSIDE ADVISORS .....	11
11.	ENFORCEMENT OF THE BOARD CHARTER .....	11

## **BATU KAWAN BERHAD BOARD CHARTER**

### **1. INTRODUCTION**

The Board of Directors (the “Board”) of Batu Kawan Berhad (“BKB” or the “Company”) derives its authority from the Company’s shareholders on whose behalf it does its job. As such, the Board has the ultimate responsibility for establishing the strategies and policies to drive the performance of the Company and to build long-term **shareholder value** with due regard to other stakeholder interests. The Board is dedicated to fulfilling these duties in a lawful and professional manner, and with integrity and objectivity.

Good governance policies and processes are critical for ensuring that the Company is governed in the best interests of the Company as a whole. In line with this, the Board has articulated and formalised as part of the Company’s corporate governance framework, the Board Charter.

### **2. PURPOSE**

The Board Charter sets out:

- the roles, functions, obligations, rights, responsibilities and powers of the Board; and
- the policies and practices of the Board in respect of its duties, functions and responsibilities.

### **3. THE ROLE OF THE BOARD**

The principal functions and responsibilities of the Board include the following:

- (a) Providing leadership to the Company by:
  - Guiding the development of appropriate standards and values for the Company.
  - Acting in a manner consistent with the Directors’ Code of Conduct.
- (b) Overseeing the development and implementation of corporate strategies by:
  - Working with the Senior Management team to ensure that an appropriate strategic direction and set of goals are in place.
  - Regularly reviewing and amending or updating the Company’s strategic direction and goals.

- Overseeing planning activities including the development and approval of strategic plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets.
  - Reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews.
- (c) Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through its Chairman, being the key interface between the Company and its shareholders.
- (d) Overseeing the control and accountability systems that seek to ensure the Company is progressing towards the goals set by the Board and which are in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations.
- (e) Ensuring effective risk management, compliance and control systems (including legal compliance) are in place.
- (f) Delegating appropriate powers to the Managing Director ("MD"), Management and committees to ensure the effective day-to-day management of the business and monitoring the exercise of these powers.

Although some of the Board functions may be delegated to Board Committees, the Board as a whole is responsible for supervising such delegation and assessing the recommendations of the Board Committees.

#### **4. BOARD COMMITTEES**

The following Board Committees have been established:

**(a) Audit Committee (established in 1993)**

Assisting the Board, the Committee addresses and monitors the principal risks affecting or that may affect the Group's operations and the measures that could be taken to mitigate such risks. This Committee also reviews and monitors the financial reporting, audit requirements and internal control principles.

**(b) Remuneration Committee (established in 2001)**

This Committee is primarily responsible to review and structure the remuneration policy of the Group, and its Directors, with a view to ensuring that compensation and other benefits encourage performance that enhances the Group's long-term profitability and value.

**(c) Nomination Committee (established in 2001)**

This Committee is responsible, amongst others, to identify and recommend the right candidate with the necessary skills, experience and competencies for appointments to the Board and Board Committees. Recruitment matters are discussed in depth by the Committee before the entire Board makes the final decision on new appointments.

Each Board Committee operates within its respective terms of reference which have been approved by the Board.

**5. BOARD SIZE, COMPOSITION AND TENURE**

(a) The Company's Articles of Association provides that there will be a minimum of two Directors and a maximum of ten Directors.

(b) The Board shall comprise of:

- Executive and Non-Executive Directors with at least  $\frac{1}{3}$  of its members or 2 directors, whichever is higher to comply with the Main Market Listing Requirements ("Main Market LR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), being Independent Non-Executive Directors who can effectively review and exercise independent judgment.
- Directors with an appropriate range of skills, experience and expertise that add value to the Company and competence to deal with, current and emerging issues of the business.

(c) The Chairman of the Board shall be Non-Executive Director. The office of the Chairman and Managing Director shall be separate to ensure that at all times, there is a balance of authority and power.

(d) The period of office of Directors shall be as follows:

- New Directors shall hold office only until the next Annual General Meeting at which they will retire and be available for re-election.
- All Directors are subject to retirement by rotation and re-election by shareholders at least once every three years, consistent with the Company's Articles of Association and Main Market LR.
- All Directors above 70 years old are subject to re-appointment by shareholders annually in accordance to the Companies Act, 1965.

Currently the Company has seven members on the Board, comprising one Executive Director (Managing Director) and six Non-Executive Directors, five of whom are independent. The role of Chairman is held by a Non-Independent Non-Executive Director.

## **6. TERMS OF REFERENCE**

### **(a) Delegation to Management**

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act honestly, fairly, diligently and in accordance with the law and in the best interests of the Company as a whole. It is the role of Management to manage the Company in accordance with the direction of and delegation by the Board and the responsibility of the Board to oversee the activities of Management in carrying out these delegated duties. The Board also seeks to ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

### **(b) Strategic, Business and Capital Plans**

- The Board shall adopt a strategic plan for the Group, comprising the Company and its subsidiaries, including associates where relevant. The Board shall review the Group's strategic planning process in light of Management's assessment of emerging trends, the competitive environment, the opportunities and risks of the business, and business practices in the industry.
- The Board shall approve the Group's business and capital plans as well as policies and processes generated by Management relating to the authorisation of major investments and significant allocations of capital.

### **(c) Capital Management and Financial Reporting**

The Directors:

- shall procure that the affairs of the Company are managed with better accountability to shareholders and achieve transparency of operations with disclosure of both financial and non-financial data through annual and other periodical reports.
- shall ensure that the Company prepares and maintains its accounts fairly and accurately in accordance with the accounting and financial standards which represent the generally accepted guidelines, principles, standards, laws and regulations of the country in which the Company conducts its business affairs.
- shall ensure that the internal accounting procedures fairly and accurately reflect all of the Company's business transactions, assets and liabilities. All required information shall be accessible to the Company auditors, other authorised parties and government agencies. There shall be no willful omission of any Company transactions from the books and records, and no hidden bank accounts and funds.

- shall approve dividend policy and dividend payments, and major financial arrangements.

Any willful material misrepresentation of and/or misinformation on the financial accounts and reports shall be regarded as a violation of this Charter.

**(d) Risk Management and Internal Control**

- The Board shall ensure that an effective, ongoing process is in place to identify risks to safeguard shareholders' investments and Group assets, and shall periodically review reports provided by Management of principal risks associated with the Group's business and operations, review the implementation by Management of appropriate systems to manage these risks and review reports by Management relating to the operation of, and any material deficiencies in these systems.
- The Board must also have a commitment to articulating, implementing and verifying that internal, financial, non-financial and business control and management information systems have been established by Management to ensure that relevant information is received on a timely basis.
- The Group Risk Management Committee is chaired by the Managing Director. The on-going processes are co-ordinated by the Internal Audit Division in conjunction with all the business heads within the Group.

**(e) Sustainability**

The Board shall establish and formalise strategies on promoting sustainability. Attention shall be given to environmental, social and governance aspects of business which underpin sustainability.

**(f) Succession Review**

In addition to reviewing the performance of Board members and Board Committees, the Board shall develop and review periodically the succession plans of the Company for the Chair, the Managing Director and other key executive officers, including the appointment, training and monitoring of such persons based on the recommendations of the Nomination Committee.

**(g) Remuneration Review**

The Board will review for approval, recommendations from the Remuneration Committee on the remuneration packages of Executive Director and senior management, and fees of the Non-Executive Directors for shareholders' approval at the Annual General Meeting of the Company.

**(h) Communication**

The Board has adopted a Disclosure Policy for the Company. The Board, in conjunction with the Managing Director, shall periodically review the Company's overall Disclosure Policy, including measures for receiving feedback from the Company's stakeholders, and Management's compliance with such policy. The Board shall approve changes to the Company's Disclosure Policy.

The Company shall keep its shareholders informed of its progress through an annual/half yearly reports and quarterly interim reports. In addition, the Company maintains on its website a contact email address that will permit shareholders to provide feedback to the Company.

**(i) Service on other Boards**

Unless prior notice has been given to the Board via the Chairman of the Nomination Committee, a Director shall not serve as director of any other company or as partner of a firm that is engaged in a competing business with the Company. He/she shall not hold any positions or jobs or engage in outside businesses or other interests that are prejudicial to the interests of the Company.

Directors should also ensure that they have the requisite time, training and facilities to adequately discharge their duties and responsibilities. Further, they should disclose their other significant commitments, if any, which are likely to affect or interfere with the proper functioning of themselves and the Board.

Directors must at all times comply with the restriction on the number of directorships as prescribed under the Main Market LR of Bursa Malaysia. Further, a Director should provide prior information to the Board via the Chairman of the Nomination Committee before accepting other directorships in any other public company and subsequently, of any change of his/her directorships.

**(j) Retirement from the Board**

All Directors are expected to voluntarily review their membership of the Board from time to time taking into account length of service, age, qualifications and expertise, together with other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.

A Director shall be expected to resign if requested to do so by the Nomination Committee in the exercise of its duties and responsibilities to the Board.

An Executive Director shall tender a resignation from the Board immediately he/she decides to retire or resign from employment with the Company.



## **7. BOARD PROCESSES**

### **(a) Meeting Participation**

Board meetings are a fundamental component of governance processes as they are the main opportunity for Directors to:

- obtain and exchange information with the Senior Management team;
- obtain and exchange information with each other; and
- make decisions.

Each Director is encouraged to commit his/her best efforts to attend and actively participate in all the meetings of the Board and the Committees of the Board of which such Director is a member.

### **(b) Meeting Frequency**

The Board shall meet at least 4 times per year and when necessary, while the Committees shall meet at least once a year and when necessary.

### **(c) Board Papers**

The Company Secretary together with the Group Financial Controller are responsible for the preparation and circulation of Board papers. The Board/Committee meeting agenda, which is circulated to the respective Directors in advance of each meeting, will shape the information flow and subsequent discussion at meetings.

### **(d) Conduct of Meeting**

The Chairman will determine the degree of formality required at each meeting while maintaining the decorum of such meetings. The Chairman will ensure that:

- all members are present or a quorum of Directors is reached.
- the decisions are well concluded and recorded.
- the interested Directors will abstain from Board deliberation and making decisions on matters where there is a known conflict of interest with a particular Director.

### **(e) Board Minutes**

The Company Secretary is responsible for the integrity of the Board documents, including the Minutes of the Board meetings. The Board shall ensure that the Minutes are concise summary of the matters discussed at a Board meeting and contain a brief reference to relevant Board papers tabled plus any official resolutions adopted by Directors. All decisions will be recorded in the Minutes.

## 8. POSITION DESCRIPTIONS

The Board shall review the following position descriptions as and when required.

### (a) Role of the Chairman

The role and responsibilities of Chairman include:

- Providing effective leadership to the Board, i.e. to see that the Board gets its job done.
- Ensuring the efficient conduct of the Board meetings.
- Facilitating Board discussions to ensure that the key issues facing the Group are addressed.
- Promoting consultative and respectful relations between Board members and between the Board and Management.
- Chairing shareholders' meetings.

### (b) Role of the Managing Director (“the MD”)

The MD reports to the Board and essentially his job is to see that Management gets its job done.

The MD's responsibility is to focus on the business and operations of the Group, ensuring that it is run efficiently and effectively and in accordance with the strategic decisions of the Board following consideration of his ideas, vision and suggestions.

### (c) Role of Independent Directors

Pursuant to the Main Market LR, an Independent Director is a director who is independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of a listed issuer.

The role of the Independent Directors of BKB is to constructively challenge and help develop proposals on strategy. Other responsibilities include:

- scrutinising the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.
- satisfying themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

## **9. DIRECTORS' CONTINUING EDUCATION**

The Board shall evaluate the training of its Directors and ensure that Directors are kept abreast of regulatory changes and developments in corporate governance by participating in seminars/workshops/conferences.

Directors should also continually update their knowledge and familiarity with the Company required to fulfil their role both on the Board and on Board Committees. In this respect, the Company should provide the necessary resources for developing and updating Directors' knowledge and capabilities. This would include organising field trips to study the Group's operations, and facilitating access to Management and staff.

Directors are expected to attend at least one training session a year, at the expense of the Company.

## **10. ACCESS TO MANAGEMENT AND OUTSIDE ADVISORS**

- All Directors shall have unrestricted access to the Company's records and information, and may consult Management and employees of the Company as required to enable them to discharge their duties.
- All Directors have access to the advice and services provided by the Company Secretary.
- To assist them in fulfilling their responsibility, the Board, Board Committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman.

A copy of any such advice received shall be made available to all Board members.

## **11. ENFORCEMENT OF THE BOARD CHARTER**

The Board Charter has been adopted by the Board on 20 February 2013.