

BATU KAWAN BERHAD

196501000504 (6292-U)

BOARD CHARTER

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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 for the benefit of its shareholders, whilst having regard to other stakeholder interests and the impact of decisions over the long term. 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 AND RESPONSIBILITIES 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 its Code of Conduct for Directors and the Code of Conduct and Ethics for the Company.
- promoting a good corporate governance culture which reinforces ethical, prudent and professional behavior within the Company.

(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 to ensure that the strategic plans support long-term value creation and include strategies on economic, environmental, social and governance considerations underpinning sustainability.

- 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 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 Board Committees to ensure that the effective day-to-day management of the business and monitoring the exercise of these powers.
- (g) Ensuring Senior Management has the necessary skills and experience, and that measures are in place to provide for orderly succession of members of the Board and Senior Management.
- (h) Ensuring all its Directors are able to understand financial statements and can form a view on the information presented therein.
- (i) Ensuring the integrity of the financial and non-financial reporting of the Company and its subsidiaries (collectively referred to as the "Group").
- (j) Exercising its powers for a proper purpose and in good faith in the best interest of the Group and exercising reasonable care, skill and diligence at all times in the discharge of its duties.

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 Board may from time to time establish appropriate committees of Directors to assist it by focusing on specific responsibilities, tasks and issues in greater detail than is practicable for the Board to do so as a whole, reporting on those to the Board and making any necessary recommendations.

The following Board Committees have been established:

(a) Audit and Risk Committee (established in 1993 as Audit Committee, and subsequently renamed as 'Audit and Risk Committee' in 2018)

Assisting the Board, the Committee oversees the strategic and compliance 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 processes of the Group, in addition to the related party transactions of the Group.

(b) Remuneration Committee (established in 2001)

This Committee is primarily responsible to review and structure the remuneration policy of the Group, its Directors, and its Senior Management 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 as well as for key Senior Management positions. Recruitment matters are discussed in depth by the Committee before the entire Board makes the final decision on new appointments.

The Committee reviews periodically the suitability of composition of the Board as well as assists the Board to evaluate the performance of individual Directors and the Board as a whole in order to ascertain their effectiveness in the discharge of their duties.

Each Board Committee operates within its respective terms of reference, which have been approved by the Board, and which is reviewed periodically.

5. BOARD SIZE, COMPOSITION AND TENURE

- (a) The Company's Constitution provides that there shall be a minimum of two (2) Directors and a maximum of ten (10) Directors.
- (b) The Board shall comprise of:
 - (i) Executive and Non-Executive Directors with at least one-third ($\frac{1}{3}$) of its members or two (2) directors (whichever is higher) being Independent Directors;
 - (ii) at least one (1) woman Director; and

- (iii) Directors with an appropriate range of skills, experience, age, cultural background, gender and expertise that add value to the Company and have the competence to deal with current and emerging issues of the business.
- (c) The period of office of Directors shall be as follows:
 - (i) new Directors shall hold office only until the next Annual General Meeting at which they will retire and be available for re-election; and
 - (ii) all Directors are subject to retirement by rotation and re-election by shareholders at least once every three (3) years, consistent with the Company's Constitution and Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").
- (d) To allow the exercise of objective and independent judgment, and in line with global best practices, no person shall be appointed, re-appointed, elected or re-elected as a Director on the Board or continue to serve as a Director if the person is or becomes an active politician.

A person is considered 'politically active' if he is a Member of Parliament, State Assemblyman, or holds a position at the Supreme Council, or division level in a political party.

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 laws and in the best interests of the Company as a whole. It is the role of Management to manage the Company as well as to implement the Group's governance, sustainability and internal control frameworks 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 periodic 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 and 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 stakeholders' interests 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 communicated on a timely basis.

The Group Risk Management Committee (“GRMC”) is headed by the MD. The risk management framework and processes for identifying, evaluating and managing the Group’s principal risks will be co-ordinated by the Risk Coordinator or relevant person responsible, working with the heads of business and functional divisions within the Group.

The GRMC reports to the Audit and Risk Committee, which has a key role in assisting the Board to assess the Group’s risks and control environment.

(e) Group Governance

The Board shall oversee the governance of the Group to secure sustainable performance and to safeguard stakeholders’ interests via a group-wide framework on corporate governance which covers conduct and ethics, anti-corruption, whistleblowing, conflicts of interest, material sustainability risks, and board diversity.

(f) Sustainability

The Board shall (with the support of the Sustainability Steering Committee and Sustainability Working Committee) be responsible for the governance of sustainability in the Group including setting and formalising the Group’s sustainability strategies, priorities and targets. The Board shall take account of sustainability considerations when exercising its duties including, among others, the development and implementation of the Group’s strategies, business plans, major plans of action and risk management. The Board shall keep abreast with the sustainability issues, including climate-related risks and opportunities, that are relevant to the Group and its businesses while ensuring Senior Management drives the strategic management of material sustainability matters.

(g) 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 MD and other key executive officers, including the appointment, training and monitoring of such persons, based on the recommendations of the Nomination Committee.

(h) Remuneration Review

The Board will review for approval, recommendations from the Remuneration Committee on the remuneration packages of Executive Director and Senior Management, and the fees of the Non-Executive Directors as well as the benefits of the Directors for shareholders’ approval at the Annual General Meeting of the Company.

(i) Communication

The Board has adopted a Corporate Disclosure Policies and Procedures for the Company through which a wide-range of information about the Group is shared. The Board, in conjunction with the MD, shall periodically review the Company's overall Corporate Disclosure Policies and Procedures, 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 Corporate Disclosure Policies and Procedures.

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.

(j) 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 Group.

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 directorships as prescribed under the Main 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.

(k) 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, unless the Board decides otherwise.

7. BOARD PROCESSES

(a) Meeting Participation

Board meetings are a fundamental component of governance processes as it is 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 and the Audit and Risk Committee shall meet at least four (4) times per year and when necessary, while the other Board Committees shall meet at least once a year and when necessary.

(c) Board Papers

The Company Secretary together with the Chief Financial Officer 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.

The Directors are granted digital access to meeting materials of all Board, Board Committees and shareholders' meetings for a more efficient, secure and timely manner.

(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 shall ensure that:

- all Board members are present or a quorum of Directors is reached.
- adequate time is allocated for discussion of issues tabled to the Board for deliberation.
- 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.
- any Director who is in any way, whether directly or indirectly, interested in a contract entered into or proposed to be entered into by the Company shall be counted only to make the quorum at the meeting of the Board but shall not participate in any discussion while the contract or proposed contract is being considered at the meeting and shall not vote on the contract or proposed contract.

- Board Committee meetings are conducted separately and not combined with Board meetings, to enable objective and independent discussion during the meeting.

Board meetings shall either be conducted face-to-face or via telephone conferencing, video conferencing or other appropriate similar electronic means or instantaneous communication (collectively referred to as “electronic means”) as determined by the Board, provided that all Directors participating and constituting a quorum in a Board meeting are able to communicate with each other in real time throughout the Board meeting. In case some of the Directors participate in a Board meeting through electronic means, the Chairman and the Company Secretary shall safeguard the integrity of the meeting by:

- implementing reasonable measures to verify that every Director voting at the meeting by electronic means is sufficiently identified; and
- keeping a record of any vote or other action taken.

For the purpose of participation in a Board meeting by electronic means, each Director shall:

- ensure all proceedings of the meeting and deliberations or information being communicated during the meeting are treated with confidence, and he/she shall prevent any leakage of information/materials to any third party; and
- take all necessary precautions at all times to strictly maintain confidentiality of information.

(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/rationale 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 ensure that the Board fulfills its obligations under this Board Charter.

- Setting the agenda for Board meetings together with the MD and ensuring the provision of complete and accurate information to all Directors in a timely manner.
- Leading Board meetings and discussions, and ensuring the efficient conduct of the Board meetings.
- Encouraging active participation and allowing dissenting views to be freely expressed to ensure core issues of the Group are addressed.
- Promoting consultative and respectful relations between Board members and between the Board and Management.
- Chairing shareholders' meetings and ensuring appropriate steps are taken to provide effective communication with stakeholders to ensure their views are communicated to the Board as a whole.
- Leading the Board in the adoption and implementation of good corporate governance practices in the Company.

(b) Role of the MD

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

The MD is responsible to the Board for, among other things:

- developing and managing 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;
- the day to day management and performance of the Group; and
- together with Senior Management, making recommendations to the Board regarding an appropriate risk appetite within which the Group should operate and making recommendations on any changes to the risk appetite set by the Board.

(c) Role of Executive Directors

Executive Directors ("EDs") report to the MD functionally and also to the Board as a whole. The responsibility of Executive Directors is to oversee the operations of the Group, adopt strategic planning processes and strategic directions for the Group's businesses, taking into account, amongst others, the opportunities and risks of the business and to review the critical assessment of these directions, in order to achieve the objectives set by the MD.

(d) Role of Independent Directors

Pursuant to the Main 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 company.

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.

(e) Role of Senior Independent Director (“SID”)

The Board shall choose one (1) of its Independent Non-Executive Directors to be the SID. The roles and responsibilities of the SID include:

- acting as a sounding board to the Chairman.
- serving as an intermediary for other Directors when necessary.
- acting 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 MD.
- providing leadership support and advice to the Board in the event that the Board is undergoing a period of stress.
- leading the succession planning and appointment of Directors, and overseeing the development of a diverse pipeline for Board and Management succession, including the MD and EDs.
- leading the annual review of Board effectiveness, ensuring that the performance of each individual Director and Chairman of the Board are assessed objectively and holistically.

9. MATTERS RESERVED FOR THE BOARD’S DECISION AND APPROVAL

All matters that have a material impact upon the Company or any of its subsidiaries will be referred to the Board. Matters reserved for the Board’s decisions and approval may include, but are not limited to, the following:

- (a) Annual budget of the Company and Group;
- (b) Annual Report and financial statements;
- (c) Changes to the Company’s capital structure including reductions of capital, issuance of shares or other securities, employees’ share schemes, share buybacks including the use of treasury shares, etc.;
- (d) Declaration by the Company of dividends, determination of the nature and timing of dividends to be paid, the making of any other distributions, etc.;
- (e) Corporate guarantees and indemnity issued by any Group company in relation to credit facilities, borrowings, debt securities, the use of financial derivatives, etc. and the creation of any encumbrance over all or a substantial part of the Group’s assets;

- (f) Borrowings, banking or credit facilities, the use of financial derivatives, etc. by a Group company;
- (g) The entry into material contracts in the ordinary course of business, for example major acquisitions by the Group, and/or disposals of a substantial part of the Group's assets;
- (h) The entry into contracts outside the ordinary course of business, for example issuance of debt instruments including bond issues, debenture issues, loan stock instruments, etc.;
- (i) Business direction, strategic plans and key strategies of the Group;
- (j) Any take-over offer for another company and response to any such approaches to the Company;
- (k) The Group's overall risk appetite, tolerance and strategy in order to achieve its long-term strategic objectives;
- (l) Establishment or changes to Board or Board Committees structure, size and composition;
- (m) Establishment of Board procedures or policies, including the Board Charter, Directors' Code of Conduct, terms of reference of Board Committees and other such policies as deemed appropriate, and approval of any material changes thereto; and
- (n) Conflict of interest issues relating to substantial shareholders and/or Directors.

10. REVIEW OF BOARD PERFORMANCE AND EFFECTIVENESS

The Board shall, assisted by the Nomination Committee, undertake a formal and objective annual evaluation to determine the effectiveness of the Board, its Board Committees and each individual Director.

The Board should disclose how it has conducted such evaluation, its outcome, actions taken and how it has or will influence board composition. The annual evaluation may be facilitated by an independent third party as and when the need arises.

The outcome of the evaluation will form the basis of the Nomination Committee's recommendation to the Board for the re-election and/or further development of the members of the Board and Board Committees.

11. DIRECTORS' ORIENTATION AND CONTINUING EDUCATION PROGRAMS

All newly appointed members of the Board shall undergo an orientation and education program to ensure that they understand:

- their roles and responsibilities;
- the Board's expectations in terms of their knowledge contribution;
- the nature of the Group's business;
- current issues faced; and
- strategies adopted by the Group.

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 a minimum of one (1) training session a year, at the expense of the Company.

12. 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.

13. DISQUALIFICATION OR VACATION OF OFFICE

The office of any Director including an alternate or substitute director shall ipso facto to be vacated if the Director:

- (a) has retired in accordance with the Companies Act 2016 or the Company's Constitution but is not re-elected;

- (b) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the Mental Health Act 2001;
- (c) is removed from office in accordance with the Companies Act 2016 or the Company's Constitution;
- (d) resigns his office by notice in writing given to the Company and deposited at the Company's registered office;
- (e) becomes bankrupt;
- (f) becomes disqualified from being a Director under section 198 or 199 of the Companies Act 2016;
- (g) dies;
- (h) be requested in writing by all the other Directors for the time being to vacate office; or
- (i) is absent from more than fifty per centum (50%) of the total Board of Directors' meetings held during a financial year (whether or not an alternate or substitute director appointed by him attends), save and except in circumstances where the Bursa Malaysia has granted a waiver or exemption to such Director from complying with this requirement.

14. REVIEW OF THE BOARD CHARTER

The Board will periodically review and amend (if required) this Board Charter to ensure it reflects the Board's needs and is consistent with the Board's latest objectives and governance expectations.

15. AMENDMENTS TO THE BOARD CHARTER

This Board Charter may be amended and modified from time to time in line with any changes in relevant legislation, codes or regulations (in so far as they are applicable to this Board Charter and are mandatory), and all such amendments and modifications shall be deemed incorporated without the requirement for further Board approval. The Board shall thereafter be duly informed of such amendments and modifications.

BOARD CHARTER DOCUMENT VERSION CONTROL	
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1.0	20 February 2013
2.0	16 May 2018
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