

**Hap Seng Consolidated Berhad** 197601000914 (26877-W)**BOARD CHARTER**

This charter (“Charter”) has been adopted by the board of directors (“Board”) of Hap Seng Consolidated Berhad (“Company”) with the following primary objectives:

- to foster and augment exemplary corporate values, ethical business conduct, good governance practices, and sound board culture;
- to delineate the mutual roles, responsibilities, processes, and operations of the Board and management;
- to codify a standard of conduct and procedures for compliance by all directors, and particularly useful as induction literature for newly appointed directors; and
- to ensure compliance with all applicable legal and regulatory obligations by the Company, members of the Board and members of the management.

In developing the Charter, the Board has taken into account all applicable rules, laws and regulations including but not limited to the following:

- The Companies Act 2016 (“CA 2016”);
- Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (“Bursa Securities”) together with the Corporate Governance Guide (“CG Guide”);
- The Malaysian Code on Corporate Governance (“MCCG”);
- The Capital Markets and Services Act 2007; and
- The constitution of the Company (“Constitution”).

**THE BOARD****Board Composition**

Pursuant to section 196 (1)(b) of CA 2016, in the case of public company, a company shall have a minimum number of two directors. In addition, pursuant to practices 4.1 and 4.5 of the MCCG, for the large company, Board should comprise a majority of independent directors and must have at least 30% women directors. The directors will among themselves elect an independent director to be the chairman and appoint an executive director to the office of managing director. A senior independent director is also appointed to address concerns that may be raised by shareholders of the Company and as an intermediary for other directors when necessary. The Board will also appoint a company secretary or joint secretaries to facilitate processes of the Board.

The tenure of an independent director shall not exceed a cumulative term of 9 years. If the Board intends to retain an independent director who has served to the Board beyond 9 years, an annual shareholders' approval shall be obtained. The company shall use the two-tier voting process in seeking the annual shareholders' approval to retain an independent director beyond 12 years.

The Board regularly reviews its composition with the aim to ensure that it achieves a balanced board. In selecting the suitable candidates, the Company takes into account the benefits of having diverse elements in its board, including gender, age, ethnicity, nationality, professional background, skills and experience. The final decision, however, is underpinned by the merits and contributions the candidates are able to bring forth to the Company.

The directors are expected to comply strictly to the code of business conduct and ethics and devote sufficient time and effort to the business of the company. Pursuant to paragraph 15.06 of the Listing Requirements, a director of the Company must not hold more than 5 directorships in listed issuers.

Executive directors who hold the highest level of management responsibility and operational decision-making authority within the Company.

Non-executive directors help to mitigate any possible conflict of interest between the policy-making process and the day-to-day management of the Company.

Independent directors in its boardroom are to foster greater objectivity in its deliberations and decision making. Equipped with the counterweight, independent directors are able to encourage, support and drive each other in the value creation of the Company.

### **Board Appointments**

Board appointments are decided by members of the Board upon recommendation of the Nominating Committee.

An induction program aimed at understanding the businesses of the Company and its related group of companies ("Group") shall be conducted for all newly appointed directors. Any non-executive director shall be at liberty to accept appointment to other boards, so long as such appointment does not result in any conflict of interests with the Company and/or impair his commitment to the Company.

The directors' network and referrals from incumbent directors and business associates are the primary means to source for directors at the Company as they represent a tried and tested method of sourcing high-calibre directors with a sound understanding of the business imperative. The directors' appointment process is carried out based on methodical and robust process undertaken by the nominating committee. Candidates are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in paragraph 2.20A of Listing Requirements.

Nominating committee would also endeavour to seek access to a wider database of candidates by inter alia referring to directors' registry as well as industry and professional associations.

### **Meetings and Board Attendances**

Board meetings shall be held at such venue and at such time as the Board deems appropriate, but the directors shall meet at least 5 times a year.

Directors shall use their best endeavours to attend board meetings and to prepare thoroughly for each board meeting. Directors are to participate fully, frankly and constructively in discussions and to bring the benefit of their knowledge, skills and abilities to the Board. Directors who are unable to attend shall advise the company secretary who shall keep a record of attendance of directors at board meetings. Directors are fully cognisant of the requirement to attend more than 50% of the board meetings held in each financial year, failing which his office shall become vacant.

An annual calendar of board meetings, with an outline of the businesses to be considered at each meeting, shall be drawn up by the company secretary, in consultation with the chairman and managing director. It shall then be presented for approval by the Board in advance to facilitate the yearly planning by the directors. At least 5 business days notice (unless directors unanimously consent to shorter notice) shall be given of a board meeting and such notice shall be despatched together with the agenda and the supporting board papers.

The quorum of any board meeting shall be 2 as determined by the Constitution. The chairman may request executive directors to leave the board meeting for any part of the proceeding, especially so during deliberation relating to executive performance or remuneration. Professional advisers, officers or members of staff whose input is required may also be invited to the meetings, at the discretion and invitation of the chairman.

Directors shall act in the best interests of the Company and shall disclose to the Board of any interest or potential interest as soon as he becomes aware of such interest. The company secretary shall keep a register of such declarations of interest.

Decisions of the Board shall be made by majority of votes of the directors in attendance and invitees are not allowed to vote. The company secretary shall record proceedings and decisions taken during the board meetings, which minutes will be circulated to the members of the Board in a timely manner.

The Board is guided by the disclosure policy enshrined in the Listing Requirements in making immediate announcement of all material information save in the permitted exceptional circumstances, which information is also made available on the company website at [www.hapseng.com](http://www.hapseng.com) after the release of the announcement.

### **Roles and Responsibilities of the Chairman**

The chairman of the Board shall preside at every general meeting of the Company. He is primarily responsible for:

- The effective leadership of the Board;
- Overseeing the Board in the effective discharge of its fiduciary role;
- Ensuring accurate, complete and timely information, in particular about the performance of the Company, to be furnished to Board members;
- Setting the agenda, style and tone of Board deliberations, facilitating effective review, analysis, discussions and contributions by each director with sufficient time allocated for discussion of complex and contentious issues, encouraging constructive debate so as to enable a sound decision-making process;
- Establishing a close relationship of trust with the management, managing director and board providing support and advice while respecting executive responsibility and hence, fostering a collegial relationship or partnership with the board and management team;
- Leading efforts to address the Board's developmental needs;
- Organising, convening, and chairing of general meetings, and ensuring a smooth, open and constructive dialogue between the Board and shareholders; and
- Establishing and monitoring good corporate governance practices in the Company.

The position of the chairman of the Board and chief executive officer are held by different individuals.

### **Roles and Responsibilities of the Managing Director**

The managing director is appointed by the Board to be overall responsible for the efficient and effective management and operation of the Group, in accordance with the strategic direction of the Board. The managing director is accountable to the Board for, amongst other things, the following:

- Development and recommendation to the Board of the strategy and vision of the Group and the annual business plans and budgets that support the Group's long-term view;
- Achievement of performance goals, objectives and targets;
- Maintenance of an effective management team and management structures;
- Ensuring appropriate policies are formulated and implemented; and
- Ensuring deployment of effective internal organisation and governance measures.

### **Roles and Responsibilities of the Company Secretary**

The company secretary is the chief administrative officer of the Board and the Company, and is responsible alongside with Board members to provide sound governance advice, ensure adherence to rules and procedures and advocate adoption of corporate governance best practices.

Appointment and removal of the company secretary are matters for the Board as a whole. It is of paramount importance for the company secretary to possess the professional knowledge and skill to discharge the duties which the position entails. In general, the company secretary is accountable for:

- Ensuring that board procedures are followed and reviewed regularly and that applicable rules and regulations for the conduct for the affairs of the Board are complied with;
- Supporting and advising the Board members on all applicable rules, laws, regulations and governance practices affecting the Company and/or the directors as well as its roles and responsibilities;
- Keeping abreast of, and informing, the Board of current and new developments regarding Listing Requirements, best corporate governance practice, and all other related laws;
- Ensuring governance practices to meet the board's needs and stakeholders' expectation;
- Maintenance of statutory records in accordance with legal requirements;
- Organising and facilitating the convening of board meetings, meetings of the board committees, general meetings, in consultation with the Board members and the chairman;
- Facilitating the appointment of new directors and assisting in director training and development; and
- Serving as a focal point for shareholders' communication and engagement on corporate governance issue.

### **Board Functions and Responsibilities**

At the helm of the Company, the Board is responsible for overseeing the management of the business and affairs of the Company to meet its objectives and goals, including the commitment to sustainability, in the best long-term interests of the Company. In meeting the goals and objectives of the Company, the Board has the following overall responsibilities:

- Establishing, reviewing and refining strategies and performance objectives of the Company towards long terms value creation and strategies on economic, environmental and social considerations underpinning sustainability;
- Selecting, appointing and supporting the managing director who heads the executive/senior management team ("Management");
- Monitoring and evaluating performance of the managing director;
- Undertaking a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director;

- Formulating and implementing policy on succession planning of both members of the Board and Management to ensure that appropriate and ready candidates are available as and when vacancies arise;
- Monitoring and ensuring the accuracy and integrity of financial reporting and non-financial reporting as well as the timeliness of periodic filing with authorities;
- Establishing and maintaining an effective group-wide risk management framework;
- Establishing and maintaining an effective group-wide compliance framework to facilitate and ensure compliance with all applicable laws and regulations affecting the Group and/or its business activities;
- Reviewing the adequacy and effectiveness of the Group's internal control measures;
- Establishing the level of risk tolerance and puts in place processes to identify, assess and monitor key business risks to safeguard shareholders' investments and the Group's assets;
- Evaluating and determining the training needs of its directors;
- Subject to cost-benefit analysis, leveraging on technology and systems to ensure efficient use of resources as well as effective dissemination of information;
- Formulating and reviewing communication policies to encourage constructive and effective engagement, dialogue and other forms of communication with shareholders, investors and/or the community; the Company's shareholder communications policy is set out in **Appendix A**;
- Promulgating and upholding ethical business practice, corporate social responsibility, long-term sustainability and good corporate governance;
- Reviewing and deciding on management's proposals for the Company for meeting its objectives and goals and monitoring its implementation;
- Supervising and assessing management performance to ensure the businesses of the Company are properly managed; and
- Establishing and maintaining an effective framework to monitor and manage the Company's businesses risks.

### **Board and Board Committees**

The Board may from time to time establish appropriate committees ("Board Committees") to facilitate the effective discharge of its function. However, the Board Committees are limited to making recommendations to the Board as the Board is not empowered to delegate its decision-making authorities to the Board Committees.

Each Board Committee is governed by its own terms of reference approved by the Board. The company secretary shall act as the secretary of the Board Committees. It is the company secretary's responsibility to ensure that members of the respective Board Committee receive information and papers in a timely manner to enable full and proper consideration to be given to the issues and to ensure that there is a clear co-ordination between the Board the various Board Committees. Notice of each Board Committee meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Board Committees, no later than 5 business days before the date of the meeting (unless members unanimously consent to shorter notice).

The company secretary shall minute the proceedings and resolutions of all meetings of the Board Committees, including taking record of those in attendance. Minutes of the Board Committee meetings shall then be circulated promptly to all members of the Board Committee, and once agreed, to all members of the Board. Furthermore, the chairman of the respective Board Committee will brief the Board on the various deliberations and/or issues of concern raised during the course of the meetings together with a list of recommendations and/or other matters for the deliberation of the Board.

The Board Committees shall have access to sufficient resources to facilitate the carrying out of their duties, including obtaining, at the Company's expense, outside legal or other professional advice on any matters within their term of reference.

Set out below are the Board Committees formed and their respective terms of reference:

- (I) Audit committee**
- (II) Nominating committee**
- (III) Remuneration committee**

#### **Audit Committee**

Members of the audit committee shall be appointed by the Board, on the recommendation of the nominating committee. The audit committee shall comprise not less than 3 non-executive directors, the majority of whom must be independent. The chairman of the audit committee is not the chairman of the Board.

The term of office and performance of the committee and each member shall be reviewed by the Board annually to determine whether the audit committee and its members have carried out their duties effectively in accordance with their terms of reference.

A former key audit partner shall be observed a cooling-off period of at least two years before being appointed as a member of the audit committee.

The audit committee shall meet as often as it requires but at least once for every financial quarter and annual reporting. The quorum necessary for the transaction of business shall be 2 members. Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote. In case of an equality of votes, the chairman of the meeting shall have a second or casting vote. To better discharge the function, the audit committee is authorised to seek any information it requires and/or to invite any personnel of the Company to give relevant clarifications at the meeting as and when necessary.

The responsibilities of the audit committee are set out in **Appendix B**.

### **Nominating Committee**

The nominating committee must be made up exclusively of not less than 3 non-executive directors, the majority of whom must be independent and is chaired by an independent director or senior independent director. In the absence of the chairman, the nominating committee shall appoint one of the independent non-executive members present to chair the meeting.

Appointments to the nominating committee are made by the Board.

The nominating committee shall meet as often as it requires but at least once per financial year. The quorum necessary for the transaction of business shall be 2 members. Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote. In case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

The responsibilities of the nominating committee are set out in **Appendix C**.

### **Remuneration Committee**

The remuneration committee must be made up of not less than 3 non-executive directors and majority are independent directors. In the absence of the chairman, the remuneration committee shall appoint one of the non-executive members present to chair the meeting.

Appointments to the remuneration committee are by the Board upon recommendation by the Nominating Committee.



The remuneration committee shall meet as often as it requires but at least once per financial year. The quorum necessary for the transaction of business shall be 2 members. Questions arising at any meeting where a quorum is present shall be decided by a majority of votes of the members present, each member having 1 vote. In case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

The chairman of the remuneration committee may invite personnel such as the managing director, chief executives of the business divisions or the head of the human resource department as and when appropriate and necessary.

Members of the remuneration committee shall not participate or be involved in the deliberations or discussions of their own remuneration.

The remuneration of the non-executive directors shall be a matter for the executive members of the Board; no director shall be involved in any decisions as to their own remuneration. The policies and procedures to determine the remuneration of the directors and senior management personnel are made available in the Company's website.

The responsibilities of the remuneration committee are set out in **Appendix D**.

## **DICHOTOMY BETWEEN THE BOARD AND MANAGEMENT**

The Board assumes the oversight and stewardship function of the Company. It delegates the day-to-day management of the Group to the Management led by the managing director, save for the following matters specifically reserved to the Board:

### **Matters Reserved to the Board:**

#### **Strategic Issues**

- Approval of the strategy, business plans and annual budgets and of any subsequent material changes in strategic direction or material deviations in business plans;
- Consideration and approval of any major transactions; and
- Oversight of all important policies regulating the Company's relations with its primary stakeholders.

#### **Financial Matters**

- Adoption of any significant change or departures in the accounting policies and practices of the Company;
- Establishment of material loan facilities from any financial institution;

- Reviewing and approving annual and quarterly financial statements;
- Reviewing and approving material investments and transactions;
- Approval of interim and final dividends;
- Recommendation to shareholders of any increase or reduction or alteration to the share capital of the Company and the allotment, issue or disposal of shares of the Company; and
- Recommending and implementing the Company's share buy-back exercise.

### **Statutory and Administrative Matters**

- Amendments to the Constitution;
- Appointment, removal or replacement of the external auditor of the Company;
- Convening general meetings and approval of the notice of the general meetings;
- Prosecution, defence or settlement of material legal or arbitration proceedings save for those which are in the ordinary course of business;
- Granting general signing authorities and changes thereto;
- Approval of terms and conditions of the Company's rights issues, public offers, capital issues;
- Approval and authority to issue circulars to shareholders;
- Approval and authority to issue prospectuses, listing particulars, rights issues and the like;
- Making recommendations to shareholders on ordinary or special resolutions they have approved of;
- Approval of terms of reference and changes in the composition of the Board;
- Determining the size and composition of the Board, establishing Board Committees, evaluating and selecting candidates for appointment to the Board and Board Committees;
- Determining directors' fees and changes thereto; and
- Maintaining a formal orientation and education program for new directors and ongoing programs for all directors.

### **Corporate Governance Matters**

- Undertaking a formal review annually of its own performance, that of its committees and individual directors;
- Assessing independence of the independent directors;
- Considering and recording any conflicts or potential conflicts of directors and/or imposing any limitations or restrictions on dealings by the interested directors with the Group;
- Reviewing the Group's overall corporate governance practices;
- Formulating policies to facilitate constructive dialogue with shareholders and to encourage active participation by shareholders in general meetings;
- Developing and implementing policies for long-term sustainability and creating a financially sound enterprise; and

- Reviewing the effectiveness of this Charter from time to time after taking into account the prevailing laws or regulations.

### **Management Responsibilities**

Acting on the delegated authority of the Board, the Management is responsible for executing and implementing the various directives and strategies of the Board and they will constantly be engaging the Board in their progress of operation and implementation through the provisions of reports, briefings and presentations on a regular basis. Broadly, the Management is accountable to the Board on the following:

- Developing group objectives and strategies for approval by the Board;
- Recommending to the Board an annual budget and 5 year business plan;
- Managing the daily operations of the Company such that they deliver the strategies and plans approved by the Board;
- Executing and implementing Board's decisions with timely reporting to the Board on the progress;
- Regularly reviewing the operational performance and strategic direction of the Group's business;
- Safeguarding the Company's assets, maximizing the utilization of available resources towards creation of wealth of the shareholders;
- Identifying and executing acquisitions and disposals, approval major proposals or bids;
- Identifying and executing new business opportunities outside core businesses;
- Managing the Group's risk profile, in line with the extent and categories of risk identified as acceptable by the risk management committee;
- Ensuring alongside with the Board and the audit committee, that appropriate internal controls are in place;
- Making recommendation to the nominating committee on the role and capabilities required in respect of executive directors;
- Setting Group policies for management development and succession planning of the senior executive team;
- Regularly reviewing the Group's organisational structure and recommending changes as appropriate; and
- Approving all policies and procedures applicable to the Group and ensuring that they adhere to the highest standard.

## Management Appointments

Members of Management are appointed based on predetermined criteria of skill sets, academic and professional qualifications, competencies, experiences, commitment, contribution, performance and leadership qualities, driven by their respective job descriptions. The appointments are decided by the managing director.

The Company has also put in human resource programmes which seek to address the need for capable individuals at the Management level, taking into account the different dimensions of diversity.

## VALUE, ETHOS, PRINCIPLES AND CODE OF CONDUCT AND ETHICS

In its aspiration to instil and promote appropriate standards of conduct and ethical practices, the Board has established this code of business conduct and ethics to be strictly complied with by the directors, members of the Management and employees (“Code”). For the avoidance of doubt, the provisions of the Code are non-exhaustive and to supplement any other obligations imposed on the directors by any applicable rules, laws and regulations (including but not limited to abuse of power, corruption, insider trading and money laundering).

The Code covers the following areas:

- **Honesty and Integrity**

The success of our business is built on the foundation of trust and confidence. Hence, directors and employees must act honestly and fairly in their dealings with all stakeholders.

- **Compliance with Laws**

Directors shall comply and satisfy themselves that appropriate policies and procedures are in place for compliance by employees and officers, with all laws, rules and regulations applicable to the Company and themselves, including insider trading laws. In the event of dealing with the Company’s shares both within and outside the closed periods, to comply with the disclosure requirements.

- **Conflict of Interests**

Directors are to avoid situation that present or create the appearance of a potential conflict between their own interests and those of the Company. Any situation that involves, or may reasonably be expected to involve a conflict of interest must be disclosed promptly to the fellow Board members by notifying the company secretary. The full text of this policy on conflict of interests is in the Company’s anti-bribery and corruption policy (“ABC Policy”).

- **Confidentiality**

Directors and employees must maintain the confidentiality of information entrusted to them by the Company and any other information about the Company. In addition, director and employee must not make use of non-public price-sensitive information to advance or pursue their personal opportunities, gains or interests, such as the buying or selling of the Company's shares.

Directors must not make use of any property of the Company or any information gained from their position as a director.

- **Whistle-Blowing**

The Board has formulated and implemented a whistle-blowing policy to encourage directors and employees to disclose any malpractice or misconduct which they have become aware of and to provide protection for the reporting of such alleged malpractice or misconduct. The full text of the whistle-blowing policy of the Company is set out in **Appendix E**.

Pursuant to the new section 17A of the Malaysian Anti-Corruption Commission Act 2009 which took effect since 1 June 2020, the Group has formulated and adopted the ABC Policy. This ABC Policy is administered by the integrity management committee and supervised by the senior independent director.

Under the ABC Policy, employees, business associates and external providers of the Group are encouraged to report or whistle-blow on actual or suspected cases of bribery, corruption and/or other forms of misconduct without fear of retaliation or reprisal.

- **Corruption and Bribery Practices**

Directors and employees are to prevent corruption and bribery practices. Any situation suspicious on the same shall be reported promptly to Management and fellow Board members.

- **Use of the Company's Assets**

Directors and employees must protect and ensure the proper use of the Company's assets. Misuse of the Company's assets or properties will be subject to disciplinary action.

- **Money Laundering**

It is the policy of the Company to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities by complying with all the relevant law, rules and regulations.

## **REVIEW OF THE CHARTER**

The Board shall review and revise the Charter on a regular basis after taking account the changing legal, regulatory and ethical standards.

## **SUSTAINABILITY**

The Board aspires to strengthen its commitment and investment in corporate sustainability to the mutual benefit of both the Company and the public at large. To this end, various initiatives have been undertaken to harness the market's potential for economic, environmental and social sustainability on the one hand and to minimise sustainability costs and risks on the other hand. The full text of the strategies on promoting sustainability of the Company is set out in **Appendix F**.

## **Appendix A - Shareholder Communications Policy**

### **1. Objective**

To have an effective, transparent and regular communication with all the shareholders, the Company is committed to ensure that all shareholders have timely access to all publicly available information of the Company, with which they are enabled to actively participate in the affairs of the Company in an informed manner.

### **2. Communication With Shareholders**

The shareholders' general meeting is the primary forum for Company to communicate with its shareholders. Shareholders are encouraged to participate in general meetings by being present in person or by appointing proxies if they are unable to attend.

To achieve the widest possible dissemination, notice of general meeting is placed both in the national newspaper and the Company's website besides the same being dispatched to the shareholders by post together with the accompanying explanatory materials for at least 28 days prior to the general meeting. This will allow shareholders to have a sufficient time to deliberate on the proposed resolutions which require shareholders' approval in an informed manner and to appoint proxies to attend the AGM and vote on their behalf.

At the commencement of any general meeting, the chairman of the meeting will open the floor to questions so that all shareholders' queries could be adequately addressed. All the directors of the Company including the chairman of the audit committee, nominating committee and remuneration committee, external auditors and members of Management will attend the general meeting to response to the shareholders' queries.

To strengthen the Company's corporate governance, all resolutions set out in the notice of the AGM will vote by poll using e-voting system. A scrutineer will also be appointed to ensure full transparency of the proceedings.

### **3. Access to Corporate Information**

#### **(a) Quarterly Financial Results**

Within 2 months of each financial quarter, the Company will release to Bursa Securities its financial results for the quarter just ended. Shareholders are therefore able to update themselves with the Company's performance and material corporate developments on a regular basis.

(b) Announcements to Bursa Securities

The Company is constantly vigilant of all corporate developments relevant to the shareholders and the investors at large. To this end, the Company is mindful of its obligation to make timely announcements on all material corporate actions or developments likely to have an impact on the shareholders' or investors' decision to deal with the Company's shares.

(c) Annual Report

The annual report is the Company's primary literature to summarize the Company's activities, operations and performance over the past financial year. It also reflects the dynamics of the Company's current and future developments so that shareholders are informed of the long-run security or future of their investments.

(d) Corporate Website

As part of the ongoing effort to foster a closer association with its shareholders, the Company endeavours to ensure that its corporate website ([www.hapseng.com](http://www.hapseng.com)) contains all material information necessary for the shareholders decision-making process. All corporate announcements, press releases, quarterly financial results, corporate presentations on group financials and operation review and the like are placed on the website as soon as practicable after such information is released to Bursa Securities.

Shareholders may at any time direct questions or request publicly available information via the communication channels provided in the website. The Company places great importance on shareholders' privacy and will not disclose information of shareholders unless otherwise required by law.



**Appendix B – Responsibilities of the Audit Committee**

1. To monitor the integrity of the Group's financial statements, review its annual audited financial statements and quarterly results to be released to the Exchange and any other announcements relating to the Group's financial performance as well as significant financial reporting issues.
2. To review the effectiveness of the Group's internal controls and risk management systems and to review and approve the statement to be included in the annual report concerning internal controls and risk management.
3. To review the disclosure of related party transactions in the financial statements and the recurrent related party transactions in the circular to shareholders.
4. To review and report to the board any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
5. To monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system and ensure that it functions independently.
6. To approve the appointment and removal of the head of the internal audit function.
7. To consider and approve the remit of the internal audit function and to ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards, particularly to ensure that the internal audit function has adequate standing and is independent of the management or other restrictions.
8. To review and assess the annual internal audit master plan to ensure adequate scope and comprehensive coverage which includes review of operational compliance with established control procedures, management efficiency, risk assessment and reliability of financial records.
9. To review all the internal audit reports on the Group from the internal auditors.
10. To review and monitor the management's response to the findings and recommendations by the internal auditors.
11. To meet the head of the internal audit whenever deemed necessary, to discuss their remit and any issues arising from the internal audits carried out without the presence of the management. The head of internal audit shall be given the right of direct access to the chairman of the audit committee.

12. To consider and make recommendations to the board in relation to the appointment, reappointment or removal of the Company's external auditors, before the same could be put to shareholders for approval at the annual general meeting.
13. To oversee the selection process of new external auditors and if the external auditor resigns, to look into the reasons of the resignation.
14. To oversee the relationship with the external auditors including:
  - approval of their remuneration;
  - approval of their terms of engagement;
  - assessing annually their suitability, independence and objectivity by taking into account the regulatory requirements and the relationship with the auditor as a whole;
  - formulating a policy governing the provision of non-audit services by the external auditor and regularly monitoring the compliance therewith; and
  - assessing annually their qualifications, expertise and resources and the effectiveness of the audit process.
15. To review with the external auditors, the audit plan, their evaluation of the system of internal controls, the audit report and any issues arising from the audit.
16. To meet regularly with the external auditors, at least twice a year, in the absence of the executive board members and management representatives, to discuss their remit and any issues arising from the audit, including the adequacy of the assistance given by the employees of the Company to the external auditors.
17. To review the quarterly and year end financial statements before tabling to the board focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit and other unusual events (if any);
  - compliance with accounting standards, relevant legislative framework and other legal requirements; and
  - compliance with the Listing Requirements and all other applicable rules and regulations.
18. To oversee the implementation of whistleblowing procedures, direct the internal audit department to undertake the necessary inquiries and investigations of the whistleblowing reports and make a finding based on the results of the investigations.

**Appendix C –Responsibilities of Nominating Committee**

1. To consider and recommend candidates onto the Board and Board Committees. In this regard, the Committee is guided by the selection criteria set out in **Appendix C (i)**.
2. To annually evaluate performance and effectiveness of the Board and Board Committees collectively as well as performance of each individual member through the self and peer-assessment.
3. To assess the independence of independent director who is served as the independent non-executive director for a cumulative term of more than 9 years.
4. To review the size and composition of the remuneration committee.
5. To review the term of office and performance of the audit committee and each of its members.
6. To facilitate board induction and training programmes.
7. Assessing directors' training needs periodically and devising relevant professional development programmes based on such assessment for recommendation to the Board.
8. To develop a proper succession plan for the Board including the future chairman so as to ensure a smooth transition when directors leave the Board, and that positions are filled and skill gaps addressed.
9. To monitor and recommend the functions to be undertaken by the various Board Committees.
10. To review and reassess the adequacy of this Charter, Terms of Reference and the Code annually.
11. To evaluate the independence of each independent director on a yearly basis. In this regard, the committee is guided by the criteria set out in **Appendix C (ii)**.
12. To recommend directors for re-election subject to satisfactory outcome of the evaluation of their performance.

## Appendix C (i)

### Board Selection Criteria

The Nominating Committee believes that it is in the best interests of the Company and shareholders to have only the highly qualified individuals to serve on the Board. In this respect, the Committee is guided by the following criteria in evaluating a person's candidacy to the Board:-

#### 1.1 Integrity and professionalism

Nominees must be individuals of highest standards of moral and ethical character, personal integrity, honesty and impeccable corporate credentials.

#### 1.2 Expertise and Experience

Nominees should be highly accomplished in their respective field, with the skill, aptitude, expertise and experience to understand fully the legal responsibilities of a director and governance processes of a listed company, and the ability to make sound contributions to Board deliberations in line with the current and long-term corporate objectives of the Company.

#### 1.3 Independence and Objectivity

Nominees must not have or not appear to have, a conflict of interests that may impair their ability to act in the best interests of the Company.

#### 1.4 Personal Attributes, Dedication and Commitment

Nominees must demonstrate key personal attributes such as integrity, courage, professionalism, good judgment and maturity, which will ensure proper questions to be asked, constructive deliberation of issues, and hence, informed decisions being reached. Besides, nominees must be able and ready to commit enough time in discharging their responsibilities. More often than not, the Nominating Committee would be reluctant to consider candidates with excessive board directorships.

#### 1.5 Board Diversity

In addition to diversity in skills and expertise, the Committee places paramount emphasis on diversity in viewpoints, which is premised on gender diversity, ethnicity, age, race, professional background, nationality, culture and socio-economic backgrounds. The Nominating Committee concedes gender diversity as a desired attribute of a balanced board composition which will ultimately translate to better decisions and performance.

**Appendix C (ii)****Evaluation of Independence of Directors**

The Company is governed by and operates in accordance with the provisions of the Listing Requirements of Bursa Securities and MCCG. Accordingly, the Board and the Nominating Committee have adopted the following policies and guidelines in assessing independence of the directors:-

An independent director must be independent of management and free from any business or other relationship which could interfere with the exercise of business judgment or the ability to act in the best interests of the Company. A director may be considered as independent if the director:

- (a) is not an executive director of the Company or its related corporation\* (“said Corporation”);
- (b) has not within the last 2 years and is not an officer of the said Corporation; an officer includes any director, secretary or employee of the said Corporation;
- (c) is not a major shareholder of the said Corporation;
- (d) is not a family member of any executive director, officer or major shareholder of the said Corporation;
- (e) is not acting as a nominee or representative of any executive director or major shareholder of the said Corporation;
- (f) has not personally provided professional advisory services to the said Corporation within the last 2 years or is presently a partner, director (except as independent director) or major shareholder of a firm or corporation (“Entity”) which has provided professional advisory services to the said Corporation within the last 2 years and the consideration in aggregate exceeds 5% of the gross revenue on a consolidated basis of the said director or the Entity or RM1 million, whichever is the higher; and
- (g) has not personally engaged in transactions with the said Corporation (other than as non-executive director) within the last 2 years or is presently a partner, director or major shareholder of an Entity (other than the Company’s subsidiaries) which has engaged in transactions with the said Corporation within the last 2 years and the consideration in aggregate exceeds 5% of the gross revenue on a consolidated basis of the said director or the Entity or RM1 million, whichever is the higher, save for the exempted transactions in accordance with Practice Note 13 of the Listing Requirements.

In addition to the above criteria, the Board is mindful of the fact that long tenure of an independent director may impair his independence. Accordingly, the Nominating Committee and the Board are bound by the Recommendation in the Code which states that an independent director is deemed to lose his independence after having served on the Board for 9 years or more, unless strong justifying circumstances to the contrary exist.

Generally, a director will be considered as independent if he/she satisfies all the above criteria, subject however to the fulfillment of the criterion that the director is independent of management or any other material business or other relationships with the said Corporation which could interfere or are likely to interfere with the exercise of independent judgement by the said Director or the ability of the said Director to act in the best interests of the Company.

If is necessary, the Board will engage independent experts to facilitate the evaluation of independent director and board as this would improve in board effectiveness and bring significant benefits to the Company.

- \* *related corporation is where a corporation*
  - a) is the holding company of another corporation;*
  - b) is a subsidiary of another corporation; or*
  - c) is a subsidiary of the holding company of another corporation.*

**Appendix D – Responsibilities of Remuneration Committee**

1. To review, determine and agree with the Board the remuneration policy of the executive directors and senior management personnel of the Company, after taking into account the Company's operating results, individual performance and comparable market statistic to ensure that the executive directors and senior management personnel are adequately incentivised and remunerated to encourage enhanced performance.
2. To constantly review the ongoing appropriateness and relevance of the remuneration policy.
3. Within the terms of the agreed policy and in consultation with the chairman, to determine the total individual remuneration package of each executive director including bonuses and yearly increment.

## **Appendix E – Whistle-Blowing Policy**

### **Objectives**

This Whistle-Blowing Policy has been formulated to achieve inter alia, the following:

- (a) to encourage directors and employees to disclose any malpractice or misconduct of which they become aware of;
- (b) to ensure that all allegations are thoroughly investigated and appropriate action be taken accordingly;
- (c) to protect the whistle-blowing employee from adverse employment actions, harassments or other forms of discrimination, even if the allegations are proven to be incorrect or unsubstantiated; and
- (d) to take all steps necessary to preserve the anonymity of the whistle-blower, although there may be unavoidable situations where this cannot be achieved.

### **Reporting**

A director or an employee who reasonably believes or has reasons to believe that inappropriate business conduct has occurred or is occurring, they should report their concerns using the available reporting channels as stated in the Anti-Bribery and Corruption Policy. Reports made in good faith shall be addressed in a timely manner and without incurring fear of reprisal regardless of the outcome of any investigation. Disclosures should contain as much as specific information as possible to enable proper assessment of the nature and extent of the concern.



## Appendix F – Strategies On Promoting Sustainability

Summarised below are the various methodologies undertaken as part of the Group's on-going commitment to sustainability:

- In addition to providing safe working environment for all its employees, the Company promotes and implements all aspects of occupational safety and health policies;
- In its management of human resources to maintain workforce capabilities, the Company places great importance on employee satisfaction through continuous trainings, workshops, knowledge-management practices and competitive remuneration and benefits programmes. Employees are therefore able to grow and advance in their career for brighter future;
- According respect to human rights and ensuring non-existence of discrimination in any form, be it religion, race, nationality, background or others;
- Meeting shareholders' demand for sound financial returns through regular dividend stream, economic growth, open communication and transparent financial reporting;
- Establishing and complying high standards of corporate governance and engagement with shareholders;
- Adopting innovative technologies to minimise or control negative impact on the environment in its business operations. For example, the usage of 3-dimensional laser technology in the Quarry Division has eliminated fly rock projections, improved fragmentation and minimised the quantity of explosives used;
- Helming, supporting and contributing to environmental friendly projects or programmes; for example RM2 million has been contributed to the Sabah Forestry Ministry to support tree replanting project, rehabilitation programmes implemented on quarry sites to re-create sites of ecological value through restoration;
- Taking proactive steps towards reducing carbon footprint, including engaging measures to improve energy performance of office buildings, better management of energy use for office equipment, raising awareness among employees, customers, suppliers through "Reduce, Reuse, and Recycle" campaign, reducing overseas or outstation travelling by encouraging participation in meetings by telephone or video conferencing; and
- Participating in community involvement programs to reach out to the needs of the communities such as making contributions for community hall repair and refurbishment, Crime Awareness Day, and Sports Day and establishing scholarship programs for underprivileged students.