



# **KIM HIN INDUSTRY BERHAD**

Registration No.: 197301003569 (18203-V)  
(Incorporated in Malaysia)

## **BOARD CHARTER**

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## 1 INTRODUCTION

1.1 The Board Charter of Kim Hin Industry Berhad (“Kim Hin” or “the Company”) sets out the Board’s strategic intent and outlines the roles and matters that reserved for the Board, the role and responsibilities of Directors, various Board Committees and those which it delegates to Management.

### 1.2 Vision of Kim Hin

The vision of Kim Hin is to be a world class ceramic tile producer and distributor by providing products and services of superior values and by sustaining consistent long term growth in volume and profitability.

### 1.3 Mission of Kim Hin

- Achieving responsible and balanced commercial success;
- Satisfying customers’ needs;
- Enhancing shareholders’ values and to provide fair returns to shareholders;
- Providing rewarding careers to employees;
- Having mutually beneficial relationship with business associates; and
- Participating and contributing effectively towards nation building.

### 1.4 Corporate Value of Kim Hin

- A role model and a good corporate citizen;
- Provide the highest quality products and values to customers;
- Commitment to employees’ welfare and wellbeing;
- To instill a culture of discipline, integrity, teamwork and proactivity amongst staff.

## 2 PURPOSE (MCCG PRACTICE 2.1)

### 2.1 Purpose of the Board

2.1.1 The business and affairs of Kim Hin shall be managed by, or under the direction of, the Board of Directors (“**Board**”).

2.1.2 The purpose of the Board of Kim Hin are as follows:

- To govern and set the strategic direction of the Company;
- To ensure the long-term success of a Company and the delivery of sustainable value to its stakeholders;
- To discharge its fiduciary duties and leadership functions while exercising oversight on Management.
- Approve major policy and management decisions;
- Adopt or change The Articles of Association of the company;

- Approve changes in policies of the company and its subsidiaries.
- Ensuring that the Group adheres to high standards of ethics and corporate behavior in accordance with the Code of Conduct for Directors<sup>2</sup>. Directors are required to comply with the Code of Conduct for Directors' which amongst others includes the declaration of any personal, professional or business interest, direct or indirect which may conflict with directors responsibilities as a Board Member and to refrain from voting such transaction with the Group.

## 2.2 Purpose of the Board Charter

2.2.1 The purpose of the Board Charter are as follows:

- To serves as a source reference and literature that guides the governance and conduct of the Board;
- To provide insights to the Board in discharging their fiduciary duties and leadership functions;
- To assist the Board in the assessment of the performance of the individual Directors, Board Committees;
- To serves as a reference for exercising oversight on Management and internal control;
- To serve as an avenue to communicate the Company's approach to governance.

This Charter is available on Kim Hin's website at: [www.kimhin.com.my](http://www.kimhin.com.my), About Corporate Governance and shall be review on a periodic basis and may amend it from time to time.

## 3 BOARD STRUCTURE AND COMPOSITION (MCCG2017 PRINCIPLE A II)

### Board Structure



3.1 The Board shall comprise not less than two (2) nor more than eleven (11) Directors. At any one time, at least two (2) or the majority of the Board members, whichever is higher, shall be Independent Non-Executive Directors. (MCCG Practice 4.1)

- 3.2 As prescribed under Practice No. 4.2 of the Malaysian Code on Corporate Governance 2017 (“MCCG”), the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the board subject to the director’s re-designation as a non-independent director.
- 3.3 If the Board intends to retain an Independent Non-Executive Director beyond nine (9) years, it shall justify and seek annual shareholders’ approval. If the Board continues to retain the Independent Non-Executive Director after the twelfth (12) year, the Board shall seek annual shareholders’ approval through a two-tier voting process. Under the two-tier voting process, shareholders’ votes will be cast in the following manner at the same shareholders’ meeting:
- Tier 1: Only the Large Shareholder(s) of the Company votes.
  - Tier 2: Shareholders other than Large Shareholder(s) votes.
- 3.4 The appointment of Mr. Fong as the Senior Independent Director, provides an additional channel for the Independent Directors to voice any opinions or concerns that they have believe have not been properly considered or address by the Board.
- 3.5 Members of the Board should possess the relevant knowledge, skills, competencies, functional and management experience, characteristics and mind-set to contribute effectively to the Board. The Board shall also regularly review its membership to ensure the Board remains relevant and should formalise its succession planning practices.
- 3.6 Directors may relinquish their membership on the Board with prior written notice to the Group Secretary, subject to compliance with the provisions of the Companies Act, Main Market Listing Requirements and the Company’s Constitution.

#### **4. ROLES AND RESPONSIBILITIES OF THE BOARD, THE EXECUTIVE CHAIRMAN, GROUP MANAGING DIRECTOR AND DIRECTORS (COMPANIES ACT 2016 SECTION 211(1), SECTION 216(2), MCCG PRINCIPLE A I)**

##### **4.1 The Board Responsibilities**

The responsibilities of the Board of Kim Hin include the following:

- 4.1.1 Establishing strategic plans, objective, mission for the long term success of the organization;
- 4.1.2 Review, challenge and approve management’s proposal on a strategic plan for the Group by bringing objectivity and breadth of judgment to the strategic planning process;

- 4.1.3 Responsible for the delivery of sustainable value to its stakeholders, to govern and set the strategic direction of the Company while exercising oversight on management. The Board is responsible to optimize the business development, performance and growth of the Companies and its subsidiaries;
- 4.1.4 Setting the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company;
- 4.1.5 Monitoring the implementation of strategic plans by management and the strategies plans on economic, environmental, safety & health, social and governance considerations underpinning sustainability of the Company;
- 4.1.6 Overseeing the performance of the Group's business, identifying principal risks of the business and conducting and ensuring a sound framework for internal controls and risk management;
- 4.1.7 Ensure that the senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and senior management;
- 4.1.8 Ensure the integrity of the Company's financial and non-financial reporting;
- 4.1.9 Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behavior; and
- 4.1.10 To foster a healthy corporate governance culture which is founded on the principles of transparency, objectivity and integrity set the "tone from the top" by formalising and committing to ethical values.

## **4.2 Executive Chairman Responsibilities**

The responsibilities of the Executive Chairman include the following:

- 4.2.1 Providing leadership for the board so that the board can perform its responsibilities effectively;
- 4.2.2 To explore and initiate new business;
- 4.2.3 To oversee the whole organization of the Company and is accountable to the Board of Directors for the organization's profitability;

- 4.2.4 Ensuring that board members receive complete and accurate information in a timely manner;
- 4.2.3 Chair the board meetings and discussion and managing the interface between board and management;
- 4.2.4 Ensuring appropriate steps are taken by the board and the management to provide effective communication with stakeholders and that their views are communicated to the board as a whole; and
- 4.2.5 Leading the board in establishing and monitoring good corporate governance practices in the Company.

### **4.3 The Group Managing Director Responsibilities**

The Group Managing Director's principal responsibility is to manage the overall operations of the Group by ensuring that the Group achieves its short and long term objectives in accordance with the defined objectives outlined in the business plan. The Group Managing Director's job functions cover the following:

- 4.3.1 To develop objectives, strategies, directions and policies for the successful management of the Group;
- 4.3.2 To plan, organise and control the operations of the group of companies;
- 4.3.3 To review and analyse results of operations in relation to budgets and objectives and ensure proper steps are taken to correct unsatisfactory conditions;
- 4.3.4 To be ultimately responsible for the effective implementation of the company's quality management system by:
  - Chairing the management review meeting.
  - Providing support to implement quality improvements.
  - Reviewing and approving the issuance of Quality Manual.
- 4.3.5 To act on behalf of the Executive Chairman in his absence.

### **4.3 ROLE OF INDIVIDUAL DIRECTORS (MCCG PRACTICE 1.1)**

#### **The role and responsibilities of individual directors**

- 4.3.1 A Director shall at all times exercise his powers for a proper purpose and in good faith in the best interest of the Company

and shall act honestly and use reasonable care, skill and diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company.

- 4.3.2 An individual director must not exceed any authority conferred on him by a resolution of the board.
- 4.3.3 A Director shall at all times avoid conflicts of interest, and shall as soon as practicable after the relevant facts have come to his/her knowledge, declare the nature of his/her interest at a meeting of the directors of the Company. Every Director shall give notice to the Company of such events and matters relating to him/her as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Company Act.
- 4.3.4 A director must not misapply the Company's property. A director will be liable to account to the Company for any loss caused by a misapplication of corporate assets in which he or she participated, where he or she knew or ought to have known that the relevant act was a misapplication. A director must not assume or pass to any other person any contract or business opportunity which arises out of the business of the Company.
- 4.4.5 If the Company is in financial difficulties, the director should call a board meeting to advise his fellow directors. A careful evaluation of the situation must be carried out at the earliest possible opportunity with the aid of professional advisers to establish the best course to take.  
It should be noted that these provisions apply to any person who is or was a director of a Company which subsequently goes into insolvent liquidation and it is not possible to escape liability simply by resigning as a director.
- 4.3.5 In line with the Guidance No. 1.1 of the MCCG, the Board of Directors has the following key responsibilities-
- (a) Promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
  - (b) Review, challenge and decide on Management's proposal on matters as set out in the Group Corporate Authority Manual document, which includes the overall corporate strategy, business plan, budget and regulatory plan, and monitor the implementation by Management;

- (c) Review and approve strategic initiatives including corporate business restructuring or streamlining and strategic alliances, to ensure that they support long-term value creation.
  - (d) Oversee the conduct of the Group's businesses to evaluate and assess management performance whether the businesses are being properly managed;
  - (e) Assess and identify the principal risks of the Group's businesses in recognition that business decisions involve the taking of appropriate risks;
  - (f) Set the risk appetite within which the Board expects Management to operate, and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
  - (g) Approve the nomination, selection, succession policies, and remuneration packages for the Board members, Board Committee members and the annual manpower budget for the Group including managing succession planning, appointing, training, fixing the compensation of, and where appropriate replacing senior management or key management personnel;
  - (h) Review and approve the Financial Statements encompassing annual audited accounts and quarterly reports, dividend policy, credit facilities from financial institutions and guarantees;
  - (i) Review and approve the Audit Committee Report, Risk Management and Internal Control Statement for the Annual Report;
  - (j) Prepare a Corporate Governance Statement/Report on compliance with the MCCG for the Annual Report;
  - (k) Approve the appointment of external auditors and their related audit fees;
  - (l) Carry out or perform such other functions necessary for the discharge of its fiduciary duties under the relevant laws, rules and regulations.

#### **4.4 Role of the Independent Non-Executive Director**

The role and responsibilities of individual directors Independent Non-Executive Director include:

- 4.5.1 Non-executive directors are responsible to focus on board matters and not stray into 'executive direction', thus providing an

**independent view** of the Company that is removed from the day-to-day running and are appointed to the board to bring:

- Independence
- impartiality
- wide experience
- special knowledge
- personal qualities

4.5.2 The key responsibilities of NEDs can be said to include the following:

Strategic direction

To provide a creative and informed contribution and to act as a constructive critic in looking at the objectives and plans devised by the chief executive and the executive team.

Monitoring performance

Monitoring the performance of executive management, especially with regard to the progress made towards achieving the determined Company strategy and objectives. They have a prime role in appointing, and where necessary removing, executive directors and in succession planning.

## **5. MATTERS RESERVED (MCCG PRACTICE 2.1)**

The matters reserved for the Board include:

- 5.1 The strategic plans, budgets, business plans and development of the Company and the subsidiaries;
- 5.2 The acquisition and disposal of the Company; and
- 5.3 Changes in the key policies, procedures and delegated authority limits of the Group.

## **6. BOARD COMMITTEES (MCCG PRACTICE 2.1)**

6.1 The Board has delegated some of its powers and functions to each of the following Board Committees to assist it in carrying out its responsibilities:

(a) Audit Committee (“AC”)

- The AC assists and supports the Board’s responsibility of overseeing the Group’s operations by providing a means for reviewing the Group’s processes for producing financial data, its internal controls, and policies and procedures to assess the suitability, objectivity and independence of the Group’s external auditor and internal audit function.

(b) Nomination & Remuneration Committee (“NRC”)

- The NRC oversees matters related to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as undertakes the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director;
- The NRC is also primarily responsible for recommending to the Board the remuneration framework for Directors, reviewing the remuneration package for Executive Directors and Senior Management; and

(c) Risk Management Committee (“RMC”)

- The RMC is primarily responsible for assisting the Board in overseeing the risks management framework and policies within the Group and reviews the efficacy of internal controls within the Group.

6.2 The Chairman of the respective Committees shall report and update the Board on significant issues and concerns discussed and where appropriate, make the necessary recommendations to the Board.

## **7. BOARD EFFECTIVENESS EVALUTION (MCCG PRACTICE 5.1)**

### **7.1 Board Compensation Review**

It is appropriate for the Company to report once a year to the Nomination Committee the status of its Board compensation in relation to other similar-sized Malaysian companies.

The Board believes that a meaningful portion of a Director’s compensation should have a direct linkage with corporate performance as part of a Director’s total compensation

Changes in Board compensation, if any, should come at the suggestion of the Nomination Committee, but with full discussion and concurrence by the Board.

### **7.2 Assessing the Board’s Performance**

The Nomination Committee is responsible to report annually to the Board an assessment of the Board’s and its committees’ performance. This will be discussed with the full Board. This should be done following the end of each fiscal year and at the same time as the report on Board membership criteria.

The Nomination Committee will evaluate each individual director’s contributions to the effectiveness of the Board and the relevant Board committees. The results of such evaluation will be discussed with the committee and/or the Board.

### 7.3 Directors' Training and Development

In addition to the mandatory programmes as required by the Bursa Securities, Board members are encouraged to attend training programmes conducted by highly competent professionals and which are relevant to the Company's operations and business. The Board will assess the training needs of the Directors and ensure the Directors have access to continuing education programme. The Board shall disclose in the Annual Report the trainings attended by the Directors.

## **8 CODE OF CONDUCT AND ETHICS OF DIRECTORS** **(MCCG PRACTICE 3.1)**

### Code of Conduct and Ethics for Directors

In the performance of their duties, the directors should at all times observe the following Codes of Conduct:

#### 8.1 Corporate Governance

- 8.1.1 Should have a clear understanding of the aims and objectives, capabilities and capacity of the Company;
- 8.1.2 Should devote time and effort to attend meetings and to know what is required of the board and each of its directors, and to discharge those functions;
- 8.1.3 Should ensure at all times that the Company is properly managed and effectively controlled;
- 8.1.4 Should stay abreast of the affairs of the Company and be kept informed of the Company's compliance with relevant legislations and contractual requirements;
- 8.1.5 Should insist on being kept informed on all matters of importance to the Company in order to be effective in corporate management;
- 8.1.6 Should limit his directorship of companies to a number in which he can best devote his time and effectiveness; each director is an own judge of his abilities and how best to manage his time effectively in the Company in which he holds directorship;
- 8.1.7 Should have access to the advice and services of the Company Secretary, who is responsible to the board to ensure proper procedures, rules and regulations are complied with;

- 8.1.8 Should at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the Company;
  - 8.1.9 Should disclose immediately all contractual interests whether directly or indirectly with the Company;
  - 8.1.10 Should neither divert to his own advantage any business opportunity that the Company is pursuing, nor may he use confidential information obtained by reason of his office for his own advantage or that of others;
  - 8.1.11 Should at all times act with utmost good faith towards the Company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties; and
  - 8.1.12 Should be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the Company is at stake.
- 8.2 Relationship with Shareholders, Employees, Creditors and Customers
- 8.2.1 Should be conscious of the interest of shareholders, employees, creditors and customers of the Company;
  - 8.2.2 Should at all times promote professionalism and raise competency of management and employees; and
  - 8.2.3 Should ensure adequate safety measures and provide proper protection to workers and employees at work places.
- 8.3 Social Responsibilities and the Environment
- 8.3.1 Should ensure that necessary steps are taken in accordance with the law to properly wind-up or strike off the Company register if the Company has not commenced business or has ceased to carry on business and is not likely to commence business in future or again to carry on business as the case may be;
  - 8.3.2 Should adopt an objective and positive attitude and give the utmost cooperation for the common good when dealing with governmental authorities or regulatory bodies;
  - 8.3.3 Should ensure effective use of natural resources and to improve quality of life by promoting corporate social responsibilities;
  - 8.3.4 Should be more proactive to the needs of the community and to assist in society related programme in line with the aspirations of the concept of "Caring Society"; and

- 8.3.5 Should ensure that the activities and the operations of the Company do not harm the interest and well-being of the society at large and to assist in the fight against inflation.

The Board shall formalise and maintain a set of ethical standards of behaviour expected of all Directors, Management, employees and, where applicable, counterparts and business partners through the Group's Code of Business Conduct and together with Management, implement its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

## **9 TERMS OF REFERENCE OF COMMITTEES (MCCG PRACTICE 2.1 GUIDANCE)**

### 9.1 Terms of Reference of the Audit Committee

The Audit Committee of Kim Hin Board of Directors operates under the Terms of Reference as follows-

#### 1. Composition

An audit committee shall be appointed by the Board of Directors from amongst its directors and shall compose of the following-

- a) no fewer than 3 members.
- b) all the audit committee must be non-executive directors, with a majority of them being independent directors; and
- c) at least one member of the audit committee-
  - (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and-
    - (aa) he must have passed the examinations specified in Part 1 of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967.
  - (iii) fulfills such other requirements as prescribed by the Exchange.
- d) no alternate director is to be appointed as a member of the audit committee.

- e) In the event of any vacancy in an audit committee resulting in the non-compliance of the above, the Company must fill the vacancy within 3 months.
- f) the Board of Directors must review the term of office and performance of an audit committee and each of its members at least once every 3 years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

## 2. Chairman of the Audit Committee

The members of an audit committee shall elect a chairman from among their number who shall be an independent director.

## 3. Functions of the Audit Committee

The functions of the Audit Committee shall be as follows-

- (1) review the following and report the same to the Board of Director-
  - (a) with the external auditor, the audit plan;
  - (b) with the external auditor, his evaluation of the system of internal controls;
  - (c) with the external auditor, his audit report;
  - (d) the assistance given by the employees to the external auditor;
  - (e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (g) the quarterly results and the financial statements, prior to the approval by the Board of Directors, focusing particularly on:
    - (i) changes in or implementation of major accounting policy changes;
    - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
    - (iii) compliance with accounting standards and other legal requirements.
  - (h) any related party transaction and conflict of interest situation that may arise within the Company or Group

including any transaction, procedure or course of conduct that raises question of management integrity;

(i) any letter of resignation from the external auditors of the Company; and

(j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.

(2) recommend the nomination of a person or persons as external auditors.

#### 4. Rights of the Audit Committee

A) The duties of the Audit Committee shall be in accordance with the procedure determined by the Board of Directors and at the cost of the Company:

(a) have authority to investigate any matter within its terms of reference;

(b) have the resources which are required to perform its duties;

(c) have full and unrestricted access to any information pertaining to the Company;

(d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

(e) be able to obtain independent professional or other advice; and

(f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, at least twice a year.

B) Where an Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee must promptly report such matter to the Exchange.

#### 5. Procedure of Audit Committee Meetings

##### Calling a Meeting

a. Any member may call a meeting.

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b. Upon the request of external auditor, the Chairman of the Audit Committee shall convene a meeting of the committee.

##### Notice of Meeting

Notice of meeting shall be circulated to members one week in advance. In case of shorter notice by majority in number of the members, the accidental omission to give notice of a meeting, or the non-receipt of such notice of a meeting, by any member shall not invalidate proceedings of a meeting.

#### Quorum

To form a quorum of an audit committee meeting, the majority of members present must be independent directors.

#### Attendance of other Directors and Employees

The other directors and employees may be invited to attend the Audit Committee meeting, specific to the relevant meeting.

#### Voting and Proceedings

Questions arising of any Audit Committee meeting shall be decided by a majority of votes, each member having one (1) vote and in the case of equality of votes the Chairman shall have a second or casting vote.

#### Minutes

The Secretary shall be responsible for the custody, production and inspection of the Audit Committee minutes.

### 6. Audit Committee Report

The Audit Committee must prepare a report at each of the financial year that complies with subparagraphs (a) and (b) below:

- (a) The Audit Committee report must be clearly set out in the annual report of the Company.
- (b) The audit committee report shall include the following:
  - (i) the composition of the Audit Committee, including the name, designation (indicating the Chairman) and directorship of the members (including whether the directors are independent or otherwise);
  - (ii) the number of Audit Committee meetings held during the financial year and details of attendance of each audit committee member;
  - (iii) a summary of the work of the Audit Committee in the discharge of its functions and duties for that financial

- year of the Company and how it has met its responsibilities; and
- (iv) A summary of the work of the internal audit function.

**9.2 Terms of reference of Risk Management Committee (MCCG PRACTICE 9.1)**

The composition of the Risk Management Committee is as follows:

<b>Category</b>	<b>No. of directors/staff</b>
Independent Non-Executive Director	1
Executive Directors	2
Management Staff	6
<b>Total</b>	<b>9</b>

The duties of the Risk Management Committee are as follows:

- review and recommend overall risk management policies and processes, risk management tolerances and parameters used in establishing these tolerances;
- review the Company's risk profile and the mitigation plans to address significant residual risks;
- monitor significant risks through review of risk-related performance measures, and progress on action plans; and
- review the Corporate Risk Management Policy and Risk Management Framework annually to ensure that they are both relevant and viable in providing context for risk management activities at all levels of the Group.

Specific Duties:

- Act as an agent of the Board to ensure that all decisions relating to risk activities taken by the Board are implemented and monitored throughout the Group;
- Design and implement an appropriate and robust Group Governance infrastructure and ensure it reflects the risk appetite set by the Board;
- Monitor the effectiveness of the Group Governance infrastructure (including the internal control environment) as a whole and make recommendations on improvements, to the Board where necessary;

- Ensure mitigation strategies/action plans have been enacted by relevant business units and are operating effectively;
- Align and promulgate policy guidelines with the business objectives set by the Board;
- Ensure that risk responsibility is being correctly transacted throughout the Group;
- Ensure that changing risk circumstances within the Group are communicated to the Board;
- Communicate and advise on expected standards in risk management and decisions taken to all areas of the business;
- Approve policy framework, set by relevant sub-committees, for measuring the controlling Group market, liquidity, credit and operational risks;
- Review all Group compliance monitoring reports on the members of the Group to ensure that requisite action is taken promptly to correct any deficiencies and report exceptions to the Board;
- Provide a quarterly report for the Board on the effectiveness of the risk management.

Other miscellaneous activities;

- Risk management training
- Publishing risk management policies and procedures
- Risk management communication with the business
- Technology to support Group Governance infrastructure

### **9.3 Terms of Reference of Nomination Committee**

#### **1. Appointment/Composition**

The Committee shall be appointed by the Board and shall consist of not less than 2 members consist exclusively of non-executive directors of whom the majority are independent.

An alternate director shall not be appointed as a member of the Committee.

The members of the Committee shall elect a Chairman from amongst their number who shall be an independent director.

If the number of members of the Committee is reduced to below 2, the Board shall within 3 months appoint such number of new members as may be required to make up the minimum of 2 members.

## 2. Authority

The Committee is authorised by the Board for proposing new nominees for the board and for assessing directors on an on-going basis. The primary purpose of the Committee is to ensure an appropriate structure for management succession and development, which would be an effective process for director selection and tenure.

The Committee shall have unrestricted access to all of the Group's personnel records and other independent information, which shall be treated in strict confidentiality to enable it to discharge its duties.

It is also authorised by the Board to seek outside legal or other independent advice and to secure attendance of outside experts if it considers necessary.

The Committee is authorized to carry out the duties mentioned below.

## 3. Duties

- (b) Nomination and screening of board member candidates;
- (c) Review of required mix of skills and experience and other qualities required for the Board to function completely and efficiently;
- (d) Evaluation of the performance of the Board, committees and its members. The Nomination Committee needs to take into account the review of the audit committee as specified in the Paragraph 15.20 of the Listing Requirements;
- (e) Evaluation of the chief financial officer's character, experience, integrity, competence and time to effectively
- (f) discharge his role in accordance with Paragraph 2.20A of the Listing Requirements;
- (g) Review, on an annual basis, the independence of Independent Directors;
- (h) Termination of membership of individual directors in accordance with policy, for cause or other appropriate reasons;
- (i) Coordination of Board Agenda and Meeting Schedules
- (j) Assignment of Committee membership and review the directors' rotational retirement;
- (k) Training and Orientation of directors;

- (l) In conjunction with the Group Managing Director (“GMD”) and the Remuneration Committee, development of the GMD’s mission and objectives, and annual evaluation of the performance of GMD; and
- (m) Establish succession planning process for executive directors and senior executives, officers and key group managers.

#### 4. Frequency and Attendance

The Committee shall hold at least 1 regular meeting a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. The Committee may invite any person to any particular committee meeting only at its invitation, specific to the relevant meeting.

A quorum of the Committee shall be 2 members and majority of members present must be independent directors.

The Company Secretary shall be the Secretary of the Committee.

The minutes of the each meeting shall be tabled at the Board Meeting of the Company.

### 9.4 Terms of reference of Remuneration Committee

#### 1. Appointment/Composition

The Committee shall be appointed by the Board and shall consist of not less than 3 members of whom the majority shall be non-executive Directors.

An alternate director shall not be appointed as a member of the Committee.

The members of the Committee shall elect a Chairman from amongst their number who shall be an independent director.

If the number of members of the Committee is reduced to below 3, the Board shall within 3 months appoint such number of new members as may be required to make up the minimum of 3 members.

The Committee’s terms of office and performance is subject to review by the Board every 3 years to determine whether the Committee has carried out their duties in accordance with the Terms of Reference.

#### 2. Authority

The Committee is authorised by the Board to recommend to the Board the remuneration of the executive director in all its form. The actual decision as to the level of remuneration payable will be the responsibility of the full board after considering the recommendations of the Remuneration Committee. It has unrestricted access to all of the Group's executive directors records to enable it to discharge its duties.

Executive directors should play no part in decisions on their own remuneration. The determination of remuneration packages of non-executive directors, including non-executive chairmen should be a matter for the board as a whole. The individuals concerned should abstain from discussion of their own remuneration.

The Committee is authorized to carry out the duties mentioned below.

### 3. Duties

- (1) Establish a compensation strategy,
- (2) Establish compensation policies and programs,
- (3) Establish compensation levels of directors, Managing Director, presidents, top officers, and management group. (Full Board must approve compensation of directors and Managing Director),
- (4) Establish management development plans,
- (5) Establish compensation and employee benefit plans
- (6) Administration of stock bonus plans, stock option plans and
- (7) Establishment of other executive and director compensation arrangements.

### 4. Frequency and Attendance

The Committee shall hold at least 1 regular meeting a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. The Committee may invite any person to any particular committee meeting only at its invitation, specific to the relevant meeting.

A quorum of the Committee shall be 2 members and majority of members present must be independent directors.

The Company Secretary shall be the Secretary of the Committee.

The minutes of each meeting shall be tabled at the Board Meeting of the Company.

## **10 REMUNERATION (MCCG PRACTICE 6.1)**

Paragraph 7.23 of the Listing Requirements on Remuneration of Directors states that fees payable to non-executive directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover. Salaries payable to executive directors may not include a commission on or percentage of turnover. Paragraph 7.24 on Increase in Directors' remuneration further states that fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting. Paragraph 7.31 on Appointment of Alternate Director goes on state that a director may appoint a person approved by a majority of his co-directors to act as his alternate, provided that any fee paid by the company to the alternate shall be deducted from that director's remuneration.

Article 93 of the Company's Articles of Association stipulates the following:-

- (a) the fees of the directors shall from time to time be determined by a resolution of the Company in general meeting. Provided that such fees shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.
- (b) The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any Committee of the Directors or general meetings of the Company or in connection with the business of the Company.
- (c) Save as provided in (a) hereof, an executive Director shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) but shall not include a commission on a percentage of turnover as the Directors may determine. All remuneration, other than the fees provided for in (a) hereof, payable to the non-executive Directors shall be determined by a resolution of the Company in general meeting.
- (d) Fees payable to non-executive Director shall be a fixed sum, and not by a commission on or percentage of profits or turnover.
- (e) Salaries payable to executive Directors may not include a commission on or percentage of turnover.
- (f) All fees paid to an Alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the later.

The Malaysian Code on Corporate Governance 2012 recommends that the Board should establish formal and transparent remuneration policies and procedures to attract and retain directors. Fair remuneration is critical to attract, retain and motivate directors. The remuneration package should be aligned with the business strategy and long-term objectives of the Company. Remuneration

of the Board should reflect the Board's responsibilities, expertise and complexity of the Company's activities.

### **Remuneration policies**

The Remuneration Committee has agreed a framework of policies within which it sets the remuneration package for each executive director. The committee also agrees the principles underlying remuneration for other senior executives.

The basic objectives of these policies are that executives, including executive directors, should receive compensation which is appropriate to their scale of responsibility and performance, and which will attract, motivate and retain executives of the necessary calibre. We believe that basic salary should be competitive in the relevant market and if performance exceeds the targets set total compensation should rise to an appropriate level. The Remuneration Committee aims to balance the entire compensation package so as to help the director attain, and encourage him or her to retain, a long-term interest in the company.

### **Summary of remuneration**

The remuneration packages of executive directors consist of annual salary, health and car benefits, indemnity insurance, an annual bonus plan and pension contributions. Performance targets are established to achieve consistency with the interests of shareholders, with an appropriate balance between long- and short-term goals.

### **Executive directors' remuneration**

According to Article 94 of the Company's Articles of Association, if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing (if he is an executive director) either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors of the Company, the said remuneration shall be by way of a fixed sum and shall not include a commission on or percentage of profits or turnover.

In the case of Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors.

In setting annual salary levels the committee compares KHIB's remuneration packages with those for jobs of similar type and seniority in relevant national companies. The comparisons consider the relative size of each company in terms of sales, profits and number of employees, its market capitalisation, the complexity of its operations and the spread of its business. It also considers,

*inter alia*, the company's operating performance in the previous year and the Malaysia inflation rate over the same period.

### **Executive directors' bonuses**

The company sets annual bonus targets, which are relevant to the objectives of the year. The targets were designed to align directors' interests with shareholders and covered first, the company's objectives, second the growth in operating profit and third, the growth in earnings per share.

- A) If the employment of the Director shall be terminated by any reason whatsoever other than stipulated hereunder as follows:-
- 1) the Director is guilty of any gross default or misconduct in connection with or affecting the business of the Company or
  - 2) in the event of any serious or repeated breach or non-observance by the Director of any of the stipulations contained in the service contracts or
  - 3) if the Director becomes bankrupt or makes any composition or enters into any deed of arrangement with his creditors or
  - 4) if the Director is convicted of any arrestable criminal offence other than an offence under road traffic legislation for which a fine or non-custodial penalty is imposed or
  - 5) if the Director shall become of unsound mind or
  - 6) if the Director resigns as a director of the Company otherwise than at the request of the Company.
- B) The Company shall pay a compensation to the Director equivalent to the maximum sum of RM250,000 for each year of service. In addition to the above in the event of the termination of employment under Clause A above or otherwise the Director shall be entitled to the following:
- 1) to purchase the car provided at book value;
  - 2) the transfer of a club membership of his choice ; and
  - 3) all bonuses, allowances and benefits incurred herein to be pro-rated until the day of termination.

It is the Board's policy that executive directors, in the interests of their development to the benefit of KHIB, may serve as non-executive directors on the boards of other companies and may each, as a general rule, retain remuneration from such appointments.

## **11. MEETINGS**

### **1. Selection of Agenda Items for Board Meetings**

The Chairman of the Board and the Managing Director will establish the agenda for each Board meeting.

Each Board member is free to suggest the inclusion of item(s) on the agenda.

## 2. Board Materials Distributed in Advance

It is the opinion of the Board that information and data that is important to the Board's understanding of the business be distributed in writing to the Board before the Board meets. The Management will make every attempt to see that this material is as brief as possible while still providing the desired information.

## 3. Board Presentations

As a general rule, presentations on specific subjects should be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions in which the subject matter is too sensitive to put on paper, the presentation will be discussed at the meeting.

## 12. **ROLE OF COMPANY SECRETARY** **(MCCG PRACTICE 1.4)**

The Board of the Company is supported by a qualified and competent Company Secretary, who plays an important advisory role and fulfils the functions for which she has been appointed. The increasing complexity of corporate law and listing rules, better awareness of corporate governance and higher acceptance of sustainability concepts, have all contributed to the importance of the Company secretary.

The Company secretary plays an important role in advising the board, usually through the chairman, on governance matters and in ensuring that there is an effective system of corporate governance in place.

The Company secretary also plays a key role in guiding and advising the board on compliance matters such as Company law and listing requirements. In order to contribute and function effectively, the Company secretary must be qualified, experienced and capable of carrying out duties attached to the post.

In addition, the Company secretary has to keep herself abreast with the many developments around corporate and securities law, listing rules and corporate governance practices. Accordingly, a structured training programme should be in place for the Company secretary to maintain his or her knowledge and skills.

The Company secretary is responsible to furnish board papers and on this count, not only must the board papers be timely, they should also contain information at an adequate level of detail. (Practice 1.5 of MCCG) calls for board papers to be circulated at least five business days before a board meeting.

In terms of board discussions, it is in the directors' enlightened interest that the deliberations are recorded in an adequate and timely manner.

This includes comments by each director, how the directors voted and whether pertinent objections and reservations have been minuted accordingly.

### **13. ACCESS TO INDEPENDENT PROFESSIONAL ADVICE**

In discharging directors' duties, each member of the Board is entitled to obtain independent professional advice at the cost of the Company.

If a director considers that such advice is necessary, the director shall first discuss with the Chairman and, having done so shall be free to proceed. The director should provide proper notice to the Company Secretary of the intention to seek independent advice and shall provide the name(s) of the professional advisor(s) that he / she intends to contact, together with a brief summary of the subject matter for which professional advice is sought. The Company Secretary shall provide written acknowledgement of acceptance of notification. In the event that one or more directors seek to appoint one or more advisors, the Chairman should take steps to facilitate discussions to arrive at a consensus.

Fees for the independent professional advice will be payable by the Company but proper approval of the Chairman will be required.

For avoidance of doubt, the above restriction shall not apply to executive directors acting in furtherance of their executive responsibilities and within their delegated powers.

For the purpose of this section, independent professional advice shall include advice sought from legal experts, accountants or other professional advisor and consultants. Independent professional advice shall exclude any advice concerning personal interests of directors (such as with respect to their contracts or disputes with the Group), unless these are matters affecting the Board as a whole.

### **14. COMMUNICATION WITH STAKEHOLDERS (MCCG PRINCIPLE C I, PRACTICE 11)**

The Board ensures there is effective, transparent and regular communication with its stakeholders, to provide stakeholders a better appreciation of the Company's objectives and the quality of its management.

The Board ensures that shareholders are given sufficient notice and time to consider the resolutions that will be discussed and decided at the General Meeting and proactive measures shall be taken to ensure that shareholders are able to participate at General Meetings.

### **15. WHISTLEBLOWING POLICY**

The Group has in place the Whistle Blowing Policy in 2014 with the objective of promoting and maintaining high standard of transparency, accountability and ethics as well as good corporate governance practices in the workplace.

The Whistle Blowing Policy serves as the internal complaint framework for employees or other stakeholders to raise concerns about illegal or unethical activity that they are aware of through their work, without fear of reprisals or retaliations.

**16. DIRECTORS' TRAINING**

The Board is mindful of the importance for its members to undergo continuous training through its Nomination Committee continue to evaluate and determine the training needs of its members to ensure continuing education is made available to the Directors in order for them to be equipped with the necessary skills and knowledge to meet the challenges of the Board. Any Director appointed to the Board is required to complete the Mandatory Accreditation Programme within four months from the date of appointment.

**17. REVIEW OF THE BOARD CHARTER  
(MCCG PRACTICE 2.1)**

This Charter, the Board performance and the term of references of the committees shall be periodically reviewed and updated by the Board taking into consideration the needs of the Group as well as any development in rules and regulations that may have an impact on the discharge of the Board's duties and responsibilities.