

# LOTUS KFM BERHAD

Registration No.: 198401007083 (119598-P)

## BOARD CHARTER

### 1.0 PURPOSE

1.1 To purpose of this Board Charter is to:

- provide a primary source of reference on board conduct and proceedings to all Board Members;
- set out the intent, authority, terms of reference and matters of focus for the Board; and
- defines the fundamental roles and responsibilities of the Board and individual directors as well as the decision reserved to the Board.

### 2.0 SIZE, COMPOSITION, GENDER AND NOMINATION

- 2.1 The number of Directors shall not be less than [2] and not more than [ 9] unless otherwise determined by a General Meeting, as stipulated in the Company's Articles of Association or Constitution.
- 2.2 The directorships held by any Board member at any one time shall not exceed five (5) in listed companies.
- 2.3 1/3 of Directors are subject to retirement by rotation yearly or at the interval of every 3 years.
- 2.4 The size of the Board is determined based on the credential, knowledge and experience needed for effective functioning of the Board as well as the regulator's requirements on independent directors.
- 2.5 Appointment of Board and Senior Management are based on objective criteria and with due regard to diversity of skills, experience, age, cultural background and gender. In identifying candidates for appointment of Directors, the Board may rely on recommendations from existing Members, Management, Major Shareholders or utilise external sources to identify suitably qualified candidates.
- 2.6 The Board recognises and the embraces benefit of gender diversity in board composition. In its selection of Board members, the Board provides equal opportunity to all candidates who meet its selection criteria.
- 2.7 All new Directors and Senior Management appointed shall undertake a formal induction program coordinated by the Nominating Committee.

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### 3.0 FUNCTION OF THE BOARD

- 3.1 The Board is responsible for leading and managing the Company effectively. Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, shall aware of their responsibilities to shareholders and stakeholders.
- 3.2 All Directors should objectively discharge their duties and responsibilities at all times in the interests of the Group and to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Group.
- 3.3 In meeting the goals and objectives of the Group, the Board should, among others:
- promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
  - review, challenge and decide on Management's proposals for the Group, and monitor their implementation carried out by Management;
  - ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
  - supervise and assess Management performance to determine whether the Group's business is being properly managed;
  - ensure that there is a sound framework for internal controls and risk management;
  - understand the principal risks of the Group's business and recognise that business decisions involve the taking of appropriate risks;
  - assess and set the risk appetite within which Management should operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
  - ensure that 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;

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- ensure that the Group has in place procedures to enable effective communication with stakeholders; and
- ensure the integrity of the Group's financial and non-financial reporting.

### 4.0 ISSUES AND DECISION RESERVED FOR THE BOARD

**4.1** In order to ensure that the direction and control of the Group is within the Board's hands firmly, the following list of matters shall be reserved to the Board for decision:

- Significant investment and divestment;
- Corporate exercise;
- Business strategy and sustainability issues;
- Performance review, remuneration, succession and appointment of directors and key senior executives;
- Shareholders' communication and matters; and
- Board policies and governance related matters.

**4.2** These matters reserved shall be communicated to all Directors, Company Secretary, Internal Auditors, External Auditors and the Senior Executives. Management shall familiarize and observe the matters reserved to the Board and undertake to provide adequate, timely and quality information to the Board for making its decision on these matters.

### 5.0 POSITION DESCRIPTIONS OF THE BOARD MEMBERS

#### 5.1 Chairman

The primary roles of the Chairman are:

- To provide leadership to the Board;
- To set the Board meeting's agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- To lead Board meetings and discussions;

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- To encourage active participation of all Board Members and to allow dissenting views to be freely expressed;
- To manage the interface between Board and Management;
- To ensure that appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board; and
- To lead the Board in establishing and monitoring good corporate governance practices in the Group.

### 5.2 Executive Directors and Senior Management

The key responsibilities of the Executive Directors and Senior Management are:

- To develop strategic direction of the Group for Board's consideration;
- To ensure that Board decisions are implemented and responded to;
- To provide directions to Management in the implementation of short and long-term business plans;
- To provide strong leadership and effective communication of Group's vision, philosophy and business strategy to all employees;
- To keep Board fully informed of all important aspects of the Group's operations and to ensure that sufficient information is distributed to Board members; and
- To ensure that day-to-day business affairs of the Group are effectively managed.

### 5.3 Non-Executive Director

Although the Non-Executive Director is present at Board meetings of the Company, he/she is not involved in the day-to-day running of business or the managing of the business generally.

Nevertheless, Non-Executive Directors, together with the Executive Directors, play a part in:

- constructively challenging and helping develop on the Company's strategy; and

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- reviewing and monitoring the performance of management.

### 5.4 Independent Directors

The primary responsibility of Independent Directors is to ensure effective check and balance in the Board by:

- bringing independent and objectivity judgement to the Board;
- mitigating risk of any possible conflict of interest and undue influence in the Board; and
- constructively challenging and contributing to the development of business strategy and direction of the Group.

Independent Director of the Board must fulfil the provisions and definition of independent director of the Listing Requirements at all times and must declare their independence to the Board annually.

When Board intends to retain its Independent Director beyond nine years, it would justify and seek shareholders' approval in the AGM. However, if the Board continues to retain its Independent Director after the twelfth year, the Board would seek shareholders' approval through a two-tier voting process in the AGM.

## 6.0 BOARD COMMITTEES

**6.1** The Board may from time to time establish appropriate Board Committees to assist them in the discharge of their responsibilities. However, the Board will not delegate any of its decision-making authority to those Committees.

**6.2** The Board shall establish the following Committees and define their respective terms of reference:

- Audit Committee;
- Nominating Committee; and
- Remuneration Committee.

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- 6.3 The role, function, performance and membership of each Committee will be reviewed on an annual basis as part of the Board's appraisal process.
- 6.4 The respective Chairmen of the Board Committees shall provide meaningful response to questions addressed to them during general meetings.

### 7.0 BOARD MEETING

- 7.1 Board meetings are held on at least once in every three (3) months. The agenda for each meeting is dictated by the needs of the Board and would be communicated in the notice of meeting.
- 7.2 Additional Board meeting can be convened at the request of any Director by giving all Directors seven (7) days' notice in writing. A meeting may, with the consent of all Directors, be convened with shorter notice.
- 7.3 Full agenda and comprehensive Board papers shall be circulated to all Directors in advance of each Board meeting covering but not limited to:
- Quarterly financial report of the Company;
  - Minutes of meetings of all Committees of the Board;
  - Reports on Related Party Transactions;
  - Directors' and Substantial Shareholders' share-dealings; and
  - Annual Management Plans/Budget reports.
- 7.4 All Board members shall attend at least 50% of the Board meetings held in each financial year or such other percentage as may be prescribed by the Listing Requirements. Heads of the respective division units and relevant Management personnel may be invited to attend the Board meetings as and when the need arises.
- 7.5 Personal attendance of Board members at meetings is preferred. But the Board and Board Committees may hold meetings at two or more venues using technology that gives all Members of the Board or the Board Committee a reasonable opportunity to participate in the meeting. On the other hand, Board may also pass its resolution by way of circular.

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- 7.6 To facilitate robust Board discussions, the Company Secretary should ensure that Directors are provided with sufficient information and time to prepare for Board meetings. The meeting materials should be circulated at least five (5) business days in advance of the Board meeting. All Board members should ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter.

### 8.0 REMUNERATION

- 8.1 The Board is responsible to establish formal and transparent remuneration policies and procedures. In order to attract and maintain talents, the Board shall remunerate its Executive Directors and Senior Management reasonably and fairly based on the market trends and conditions as well the individual's and Group's performance. For Non-Executive Directors', their remuneration shall be determined based on their qualification, experiences, competence having regard to their responsibilities and annual performance evaluation.
- 8.2 The Board may through Remuneration Committee draw advice externally, if necessary, to review the remuneration of the Board and Senior Management.

### 9.0 PERFORMANCE APPRAISAL

- 9.1 Regular reviews of Directors' effectiveness and performance are important for Board improvement. The Board shall review and evaluates each Director's performance, its own performance and the performance of its Committees at least once a year. When assessing its performance, the Board shall also evaluate its performance vis-à-vis the provisions in this Board Charter.
- 9.2 All Board related performance appraisal shall be administered and conducted by the Nomination Committee who shall then report back to the Board. Based on the result of appraisal, the Nomination Committee should assist the Board to undertake assessment of the training needs of each Board Member.
- 9.3 The Nomination Committee will review and assess the competency and area of weakness of the Board members as a whole. The Nomination Committee will recommend the appropriate educational/training programmes to the respective Board members to equip themselves with the relevant knowledge.

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### 10.0 CONTINUING EDUCATION PROGRAM AND TRAINING

**10.1** All Board Members are expected to undertake continuing professional education to enable them to discharge their duties effectively. While Management, Company Secretary, Internal and External Auditors would brief the Board on changes in the legislative, regulatory or industry framework which impact the Group, Board Members shall seek continuous knowledge of the changes in the securities, listing and companies' regulations by participating in appropriate training programs.

### 11.0 ACCESS OF INFORMATION AND RESOURCES

**11.1** All Board members shall have access to:

- complete, adequate and timely information of the Group;
- the resources required to perform his duties; and
- subject to Board's approval, engage independent professional or obtain advices at the expense of the Group.

**11.2** Management is responsible for providing the Board with the required information in an appropriate and timely manner. If the information provided by management is insufficient, the Board may make further enquiries, to which the management staff responsible shall respond accordingly.

### 12.0 RELATIONSHIP BETWEEN BOARD AND MANAGEMENT

**12.1** Except for matter relating to operation of Board Committees or duties of the Company Secretary, the communications between the Independent and Non-Executive Directors and the Senior Management should be through Executive Chairman and Executive Director.

### 13.0 COMPANY SECRETARY

**13.1** In order to carry his function effectively, Company Secretary should possess the knowledge and experience covering the knowledge in company and securities law, finance, governance, company secretaryship and listing requirements and undertake continuous professional development.

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**13.2** The roles and responsibilities of the Company Secretary include, but not limited to the following:

- Manage all Board's and Board Committees' meeting logistics;
- Attend and record minutes of all Board's and Board Committees' meetings and facilitate Board communications;
- Advise the Board and Board Committees on its roles and responsibilities;
- Facilitate the orientation of new directors and assist in director training and development;
- Advise the Board on corporate disclosures and compliance with securities regulations, listing requirements and companies act;
- Manage processes pertaining to annual shareholder meeting;
- Monitor corporate governance developments and assist the Board in applying governance practices to meet the compliance needs and stakeholders' expectations; and
- Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

## 14.0 STAKEHOLDER COMMUNICATION

**14.1** Ongoing engagement and communication with stakeholders build trust and understanding between the Group and its stakeholders. It provides stakeholders a better appreciation of the Group's objectives and the quality of its Management. This in turn will assist stakeholders in evaluating the Group and facilitate shareholders to determine how their votes should be exercised. From the Group's perspective, stakeholder communication provides an avenue for invaluable feedback that can be used to understand stakeholders' expectations and to develop business strategies.

**14.2** The principles governing the Board's stakeholders communication initiatives are as follows:

- The Board Chairman or in his absence any other Board Members nominated by Board Chairman will be the spokesperson of the Board;

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- The Board will leverage Bursa's and its corporate website to report its financial results and material developments to the Exchange, its shareholders and other stakeholders in an open, timely and comprehensive manner;
- The Board will proactively address reports and rumors to avoid unnecessary speculation in its securities. The Board will give reasonable access to analysts and media to form their opinion about the Group, but will not seek to influence those opinions. Also, the Board will not give information to the analysts and media that is not available to the general public; and
- The Board will meet with its stakeholders through appropriate platform and channel to inform and obtain feedback from shareholders.

### 15.0 GENERAL MEETINGS

- 15.1** General meetings are important platforms for directors and senior management to engage shareholders to facilitate greater understanding of the company's business, governance and performance. This supports shareholders in exercising their ownership rights and expressing their views to the board and senior management on any areas of concerns.
- 15.2** Shareholders should exercise their rights to ask questions, provide views and vote at general meetings. The Company should also leverage technology to facilitate greater shareholder's participation and enhance the proceedings of General Meetings.
- 15.3** Notice for an Annual General Meeting should be given to the shareholders at least 21 days prior to the meeting.
- 15.4** The Board should ensure that shareholders are given sufficient notice and time to consider the resolutions that will be discussed and decided at the General Meeting. The notice should include details of resolutions proposed along with any background information and reports or recommendations that are relevant and as stipulated in the listing requirements for the proposed resolution. This is to enable shareholders to make an informed decision when exercising their voting rights.
- 15.5** Presence of all directors will provide opportunity for shareholders to effectively engage each director and allows shareholders to raise questions and concerns directly to those responsible directors.

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- 15.6 The Board should take proactive measures to ensure that shareholders are able to participate at General Meetings. In facilitating greater shareholder participation, the Company will consider leveraging technology to facilitate electronic voting and remote shareholder participation, if needed.

### 16.0 REVIEW AND PUBLICATION OF BOARD CHARTER

- 16.1 The Board shall review this Charter annually and make necessary or desirable amendments to ensure that the Charter remains consistent with the Board's objectives, current regulation requirements and governance best practice. Changes of the provisions in the Charter shall be adopted by the Board with a resolution.

- 16.2 This Charter shall be available to all Board Members and key Senior Management. A copy of this Charter shall be published on the Group's website at <http://www.kfmb.com.my>.