



# LOTUS KFM BERHAD

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## BOARD CHARTER

### OVERVIEW

The Board of Directors (“Board”) of Lotus KFM Berhad (“the Company”) is committed towards ensuring good corporate governance practices are implemented and maintained throughout the Company and its subsidiaries (“the Group”) as a fundamental part of discharging its duties to enhance shareholders’ values consistent with the principles and best practices set out in the Malaysian Code on Corporate Governance (“the Code”). The Board supports the highest standards of corporate governance and the development of best practices for the Group.

This Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board Members acting on behalf of the Company are aware of their duties and responsibilities as Board Members.

### 1. COMPOSITION AND BALANCE OF THE BOARD

#### 1.1 Size and Composition

The Group is led and managed by an effective and experienced Board comprising members with a wide range of experience and qualifications. The Board focuses mainly on strategies, financial performance and critical business decisions.

The Constitution of the Company provides for a minimum of two (2) Directors. At any one time, at least two (2) or one-third (1/3) of the Board, whichever is higher, are to be Independent Directors.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness.

#### 1.2 Nomination and Appointments

The members of the Board are appointed in a formal and transparent practice as endorsed by the Code. The Nomination Committee will make recommendations to the Board who will then go through the list of candidates identified and arrive at a decision on the appointment of the Director. The Company Secretary will then ensure that all appointments are properly made and that all legal and regulatory obligations are met.

Appointment of Directors is based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. The Board may utilise independent sources to identify a suitably qualified candidate.

All Board members shall notify the Chairman of the Board before accepting any new Directorship in other public companies. The notification shall include an indication of the time that will be spent on the new appointment. The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company.

### **1.3 Re-election**

In accordance with the Company's Constitution, all Directors appointed by the Board are subject to re-election by the shareholders at the annual general meeting following their appointment. At least one third (1/3) of the Directors are required to retire from office by rotation annually and shall be eligible for re-election at each annual general meeting.

### **1.4 Independence**

The presence of Independent Non-Executive Directors ensures that views, consideration, judgment and discretion exercised by the Board in decision making remains objective and independent whilst assuring the interest of other parties such as minority shareholders are fully addressed and adequately protected as well as being accorded with due consideration.

### **1.5 Tenure of Independent Director**

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Director is to remain designated as an Independent Director, the Board shall first justify and obtain shareholders' approval on a year-to-year basis through a two-tier voting process.

### **1.6 Evaluation of the Directors and the Board as a whole**

The Board recognises the importance of assessing the effectiveness of individual Directors, the Board as a whole and its Committees. The Nomination Committee is given the task to review and evaluate the individual Director's performance and the effectiveness of the Board and the Board's Committees on an annual basis. In assessing the suitability of candidates, considerations will be given to the competencies, commitment, contribution and performance.

The Nomination Committee is required to report annually to the Board an assessment of the Board's and its committees' performance as a whole. This will be discussed with the full Board. Every year, the Nomination Committee will evaluate each individual Director's contributions to the effectiveness of the Board and the relevant Board committees.

## 2. ROLES AND RESPONSIBILITIES

### 2.1 Board Responsibilities

The Chief Executive Officer and Executive Directors together with management have the responsibility to manage the day-to-day operations of the business, implementation of Board policies and making strategic decisions for the expansion of the business. The Non-Executive Directors contribute their expertise and experiences to give independent judgment to the Board on issues of strategy, performance and resources, including major policies, key directions and standards of conduct.

The stewardship responsibilities and duties of the Board focuses principally on strategies, financial performance and critical business decisions that may include the following:-

- i. Overseeing and evaluating the conduct, governance and sustainability of the businesses of the Group.
- ii. Reviewing and adopting the overall strategic direction, business plans, annual budgets of the Group, including major capital commitments.
- iii. Establishing key performance indicators and ensuring that senior management has the necessary skills and experience for the orderly succession of the board and senior management.
- iv. Reviewing and approving of new ventures, major acquisitions and disposal of undertakings and properties.
- v. Identifying principal risks and ensuring implementation of appropriate systems to manage and monitor significant financial and non-financial risks.
- vi. Reviewing the adequacy and integrity of the Group's internal control systems, risk management and management information systems.
- vii. Overseeing the development and implementation of the shareholder communications policy for the Company.

The Directors are required to declare their direct and indirect interests in the Company and related companies. The Directors are also responsible to declare whether they and/or any person(s) connected to them have any potential conflict of interest in any transaction and/or in any contract with the Company and/or any of its related companies. Any Director who has an interest in any related party transaction shall abstain from the Board deliberation and voting and shall ensure that he or she and person(s) connected to him or her will abstain from voting on the related resolution.

## 2.2 Issues and Decision Reserved for the Board

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

- i. Significant investment and divestment;
- ii. Corporate exercise;
- iii. Business strategy and sustainability issues;
- iv. Performance review, remuneration, succession and appointment of directors;
- v. Shareholders' communication and matters; and
- vi. Board policies and governance related matters.

These matters reserved shall be communicated to all Directors, Company Secretary, Internal Auditors, External Auditors and the Senior Executives. Management shall familiarise 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.

## 2.3 Accountability and Audit

### i. Financial Reporting

The Board has overall responsibility for the quality and completeness of the financial statements of the Company and the Group, both quarterly and year-end, and has a duty to ensure that those financial statements are prepared based on appropriate and consistently applied accounting policies, supported by reasonably prudent judgment and estimates and in accordance to the applicable financial reporting standards.

The Audit Committee plays a crucial role in assisting the Board to scrutinise the information for disclosure to shareholders to ensure material accuracy, adequacy and timeliness.

### ii. Internal Control and Risk Management

The Board affirms its overall responsibility for the Group's systems of internal controls, risk management and reviewing the adequacy and integrity of these systems.

Risk management forms an integral part of the Group's business operations. The process of identifying, evaluating, monitoring and managing significant risks is embedded in the various work processes and procedures of the respective operational functions and management team. Any significant issues and controls implemented were discussed at the regular operations and management meetings.

Management is responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed and for providing assurance to the board that the processes have been carried out.

The Audit Committee has been entrusted by the Board to ensure the effectiveness of the Group's internal control systems. The activities of the outsourced Internal Auditors are reported regularly to the Audit Committee which provides the Board with the required assurance in relation to the adequacy and integrity of the Group's system of internal controls.

Recognizing that the internal control system must continuously improve to meet the challenging business environment, the Board will continue to take appropriate action plans to strengthen the Group's internal control system.

The Company outsourced its internal audit function to an independent professional firm to help the Company to accomplish its goals by bringing an objective and disciplined approach to evaluate and improve the effectiveness of risk management, internal control, anti-corruption, whistle-blowing and governance processes.

### **iii. Relationship with Auditors**

The Group has established a transparent and appropriate relationship with both the outsourced Internal Auditors and the External Auditors. Such a relationship allows the Group to seek professional advice on matters relating to compliance and corporate governance. The internal audit function of the Group is outsourced to a third party. Similar to the External Auditors, Internal Auditors also have direct reporting access to the Board and the Audit Committee to ensure that issues highlighted are addressed independently, objectively and impartially without any undue influence of the management.

## **2.4 Responsibilities of the Chairman and Group Chief Executive Officer**

The Board ensures that the Chairman is a non-executive member of the Board.

There is a proper balance of power and authority on the Board, with a clear division of responsibility between the Chairman and the Chief Executive Officer ("CEO"). This delineation provides a good check and balance, with the Chairman being responsible for the leadership of the Board, while the CEO leads the management of the Group and has overall responsibility for the operating units and the implementation of the Board's policies and decisions.

The responsibilities of the Chairman, amongst others, are as follows:

- i. To provide leadership to the Board.
- ii. To oversee the effective discharge of the Board's supervisory role.
- iii. To facilitate the effective contribution of all Directors.
- iv. To ensure that quality information to facilitate decision-making is delivered to the Board on a timely manner.
- v. To ensure Board Meetings and General Meetings comply with good conduct and best practices.
- vi. To ensure adequate time is allocated during Board Meetings for discussion of issues tabled to the Board for deliberation.

- vii. To promote constructive and respectful relations among Board members and between the Board and the Management.
- viii. To conduct and chair Board Meetings and General Meetings of the Company.
- ix. To brief all the Directors in relation to issues arising at Meetings.
- x. Together with the CEO, represents the Company and/or Group to external groups such as shareholders, creditors, consumer groups, local communities and federal, state, and local governments.

The responsibilities of the CEO, amongst others, are as follows:

- i. To develop and recommend to the Board, the strategic business direction, plans and policies of the Group that leads to the creation of shareholders' value.
- ii. To develop and recommend to the Board the operational plan and annual budget that supports the Company or the Group's long-term strategy.
- iii. To ensure the efficiency and effectiveness of the Group's operations.
- iv. To supervise heads of divisions and departments who are responsible for all functions contributing to the success of the Group.
- v. To manage the overall business and oversee the day-to-day management of the Group with all powers, discretions and delegations authorised, from time to time, by the Board.
- vi. To assess business opportunities that are of potential benefit to the Group.
- vii. To reports to the Board on key performance indicators in relation to the financial results, market conditions and other developments.
- viii. To bring material matters to the attention of the Board in an accurate and timely manner.

## 2.5 Board Committees

The Board may from time to time establish Committees, as is considered appropriate to assist in carrying out, its duties and responsibilities. The Board delegates certain functions to the following Committees to assist in the execution of its responsibilities.

- i. Audit Committee
- ii. Nomination Committee
- iii. Remuneration Committee

The Committees shall operate under clearly defined Terms of Reference. The Committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their terms of reference.

## **2.6 Company Secretary**

The Board appoints the Company Secretary(ies), who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.

The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company.

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board recognises the fact that the Company Secretary should be suitably qualified and capable of carrying out the duties required.

All Board Members, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business.

## **3. BOARD PROCESSES**

### **3.1 Board Meetings**

The Board meets at least four (4) times a year, with additional meetings to be convened whenever necessary. The Directors receive notices of meetings typically at least five (5) business days prior to the date of the meeting, setting out the agenda for the meetings, complete with a full set of Board Papers. The Board Papers provide sufficient details of matters to be deliberated during the meeting and the information provided therein is not confined to financial data but includes also non-financial information, both quantitative and qualitative, which are deemed critical for the Director's knowledge and information in arriving at a sound and informed decision. Where necessary, senior management and/or external professionals may be invited to attend these meetings to clarify and/or explain matters being tabled.

The Board meetings may be held by fully virtual or hybrid at more than one venue using any technology or method to allow the Directors to participate, speak and vote at the meetings.

Minutes of Board meetings together with decisions made by way of a resolution passed are duly recorded and properly kept by the Company Secretary.

### **3.2 Directors' Training**

The Directors are encouraged to attend relevant seminars and training programmes to equip themselves with the knowledge to effectively discharge their duties as Directors. In addition, individual directors are responsible for determining their continuous training needs to keep abreast of changes in both the regulatory and business environments as well as new developments in the industry within which the Group operates.

The Board will assess the training needs of the Directors and ensure Directors have access to the continuing education programme. The Board shall disclose in the Annual Report the trainings attended by the Directors.

### **3.3 Directors' Remuneration**

The Board through the Remuneration Committee establishes formal and transparent remuneration policies and procedures to attract and retain Directors. The Remuneration Committee has written

Terms of Reference which detail its authority and duties and the Terms of Reference are published on the Company's website.

The Directors' remuneration is determined in accordance to the performance and their capability to the Company. The Board recognises that levels of remuneration must be sufficient to attract, retain and motivate the directors of the quality required to manage the business of the Company and to align the interest of the Directors with those of the shareholders.

The Board will determine the level of remuneration of Board Members, taking into consideration the recommendations of the Remuneration Committee for the CEO and Executive Board Members.

Non-executive Directors will be paid a basic fee as ordinary remuneration and will be paid a sum based on their responsibilities in committees and the Board, their attendance and/or special skills and expertise they bring to the Board. The fee shall be fixed in sum and not by a commission on or percentage of profits or turnover.

The Remuneration Policy sets out the remuneration for the Board and the Remuneration Committee to determine the remuneration of Directors and/or senior management of the Company which takes into account the demands, complexities and performance of the Company as well as skills and experience required. The Remuneration Policy will be periodically reviewed by the Board and is published on the Company's website.

### **3.4 Access to Information and Independent Advice**

The Directors have unrestricted access to the advice and services of the Company Secretary and Senior Management staff in the Group. The Directors also have access to the internal and external auditors of the Group, without Management present to seek explanations or additional information.

The Directors, collectively or individually, may seek independent professional advice and information in the furtherance of their duties at the Company's expense, so as to ensure the Directors are able to make independent and informed decisions.

### **3.5 Investor Relations and Shareholder Communication**

The Board values the importance of timely and equal dissemination of information on major developments of the Group to the shareholders, potential investors and the general public. Quarterly results, announcements, analyst briefings, annual reports and circulars serve as primary means of dissemination of information so that the shareholders are constantly kept abreast on the Group's progress and developments. The Company's corporate website serves as one of the most convenient ways for shareholders and members of the public to gain access to corporate information, news and events relating to the Group.

The Board will ensure that the General Meetings of the Company are conducted in an efficient manner and serve as a mode in shareholders communications. These include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the General Meetings.

The Annual General Meeting ("AGM") remains a principal forum used by the Group for communication with its shareholders. During the AGM, shareholders are accorded time and opportunity to query the Board on the resolutions being proposed and also matters relating to the



performance, developments within and the future direction of the Group. Shareholders are also invited to convey and share their inputs with the Board.

The Board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) supports meaningful engagement between the Board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. This provides the opportunity for shareholders to have real-time interaction with the board and senior management including responses to any questions or remarks posted.

#### **4. ANTI-BRIBERY AND ANTI-CORRUPTION POLICY**

The Anti-Bribery and Anti-Corruption Policy applies to all employees (whether temporary, contractual or permanent), Directors and Business Associates of the Group. They are expected to carry out their duties with the utmost integrity, grounded on sound moral and ethical principles.

The Board will review the Anti-Bribery and Anti-Corruption Policy periodically to ensure its effectiveness and consistency with the governing legislation and regulatory requirements. This Policy is published on the Company's website.

#### **5. WHISTLE BLOWING POLICY**

The Whistle Blowing Policy serves to provide an avenue for all employees of the Group and members of the public to raise concerns or disclose any improper conduct within the Group and to take appropriate action to resolve them effectively.

The Board will review the Whistle Blowing Policy periodically and it is published on the Company's website.

#### **6. REVIEW OF THE BOARD CHARTER**

The Board will review this Board Charter from time to time and make any necessary amendments to ensure it remain consistent with the Board's objectives, current law and practices. The Board Charter is made available for reference at the Company's website.

#### **7. BOARD APPROVAL**

This new Board Charter (Version No. 1) was reviewed and revised by the Board of Directors of the Company on 20 August 2021.