

**KLUANG RUBBER COMPANY (MALAYA) BERHAD**  
**(Incorporated in Malaysia: 3441-K)**

**BOARD CHARTER**

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**A) RESPONSIBILITY & ACCOUNTABILITY**

The Board of Directors ("the Board") is accountable and responsible to ensure proper management of the business of Kluang Rubber Company (Malaya) Berhad ("the Company" or "Kluang") including the adequacy and integrity of its risk management and internal control system.

All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity with due regards to their fiduciary duties and responsibilities.

**B) PURPOSE**

This Board Charter serves as a source reference and primary induction literature, providing insights to existing and prospective board members to assist the Board in the performance of their fiduciary duties as Directors of Kluang.

This Board Charter is available on Kluang's website at: [www.kluangrubber.com](http://www.kluangrubber.com).

**C) THE BOARD**

**Profile of Directors**

**LEE SOO HOON (Malaysian)**

Independent Non-Executive Chairman (Male: 76)

Date of Appointment: 19 October 2001

**Work Experience/Occupation**

- 1) Partner, Ernst & Young, Singapore (1978 - 1997)
- 2) Independent Director, Singapore Public Companies
- 3) Provides management and financial consultancy services

**Qualification/Professional body**

- 1) F.C.A. Institute of Chartered Accountants in England and Wales
- 2) Fellow of Singapore Institute of Chartered Accountants (ISCA)
- 3) Member of Malaysian Institute of Certified Public Accountants
- 4) Member of Malaysian Institute of Accountants
- 5) Member of Singapore Institute of Directors

Details of any Board committee to which Director belongs

- 1) Member of Audit Committee
- 2) Member of Nominating Committee
- 3) Member of Remuneration Committee
- 4) Chairman of Risk Management Committee

Directorship in other Public Listed Companies

- 1) Sungei Bagan Rubber Company (Malaya) Berhad
- 2) Kuchai Development Berhad

Relationship with other Directors and/or substantial shareholders

No family relationship with other Directors and/or substantial shareholders of the Company

**LEE CHUNG-SHIH JUSTIN (Singaporean)**

Executive Deputy Chairman (Male: 56)

Date of Appointment: 19 February 1990

Work Experience/Occupation

- 1) Executive Director, Malaysia Public Companies
- 2) Executive Director, Public Unlisted Real Estate Investment Company
- 3) Director, Public Unlisted Licensed Trust Company

Qualification/Professional body

- 1) B. Sc., International Business

Details of any Board committee to which Director belongs

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Directorship in other listed companies

- 1) Sungei Bagan Rubber Company (Malaya) Berhad
- 2) Kuchai Development Berhad

Relationship with other Directors and/or substantial shareholders

Son of Lee Thor Seng and brother of Lee Yung-Shih Colin

**TAY BENG CHAI (Malaysian)**

Independent Non-Executive Director (Male: 57)

Date of Appointment: 4 December 2014

Work Experience/Occupation

- 1) In professional legal practice since 1986
- 2) Managing Partner of Tay & Partners, Malaysia
- 3) Partner of Bird & Bird ATMD LLP

- 4) A lawyer of over 30 years with extensive corporate and commercial experience in Malaysia and Singapore

Qualification/Professional body

- 1) LL.B (Hons) Second Upper, National University of Singapore in 1985
- 2) Admitted as Advocate & Solicitor, High Court of Singapore in 1986
- 3) Admitted as Advocate & Solicitor, High Court of Singapore in 1989
- 4) Fellow of the Singapore Institute of Arbitrators

Details of any Board committee to which Director belongs

- 1) Member of Audit Committee
- 2) Member of Nominating Committee
- 3) Chairman of Remuneration Committee
- 4) Member of Risk Management Committee

Directorship in other Public Listed Companies

- 1) Malaysia Bulk Carriers Berhad
- 2) Sungei Bagan Rubber Company (Malaya) Berhad
- 3) Kuchai Development Berhad

Relationship with other Directors and/or substantial shareholders

No family relationship with other Directors and/or substantial shareholders of the Company

**CHEW KHAT KHIAM ALBERT (Australian)**

Independent Non-Executive Director (Male: 61)

Date of Appointment: 10 October 2016

Work Experience/Occupation

- 1) Group CFO of Sinwa Limited (2010 – 2013)
- 2) Group CFO of Boardroom Limited (2007 – 2010)
- 3) Finance Director of Gennon (HK) Group (2001 – 2007)

Qualification/Professional body

- 1) Fellow of the Institute of Chartered Accountants in Australia
- 2) Fellow of the Hong Kong Institute of Certified Public Accountants
- 3) Fellow of the Financial Services Institute of Australasia
- 4) Chartered Accountant of The Singapore Institute of Chartered Accountants
- 5) Member of the Australian Institute of Management
- 6) Member of the Singapore Institute of Directors
- 7) Bachelor of Commerce, University of N.S.W. (1980)

Details of any Board committee to which Director belongs

- 1) Chairman of Audit Committee
- 2) Chairman of Nominating Committee

- 3) Member of Remuneration Committee
- 4) Member of Risk Management Committee

Directorship in other Public Listed Companies

- 1) Sungei Bagan Rubber Company (Malaya) Berhad
- 2) Kuchai Development Berhad

Relationship with other Directors and/or substantial shareholders

No family relationship with other Directors and/or substantial shareholders of the Company

**CHEONG MUN HONG (Singaporean)**

Executive Director (Male: 32)

Date of Appointment: 1 March 2015

Work Experience/Occupation

- 1) Executive Director, Malaysia Public Companies
- 2) Investment Analyst, Estate & Trust Agencies (1927) Limited

Qualification/Professional body

- 1) B.Eng (Hons), Nanyang Technological University
- 2) Holder of the right to use the Chartered Financial Analyst® designation

Details of any Board committee to which Director belongs

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Directorship in other Public Listed Companies

- 1) Sungei Bagan Rubber Company (Malaya) Berhad
- 2) Kuchai Development Berhad

Relationship with other Directors and/or substantial shareholders

No family relationship with other Directors and/or substantial shareholders of the Company

**BALARAMAN A/L ANNAMALY (Malaysian)**

Executive Director (Male: 70)

Date of Appointment: 28 August 2014

Work Experience/Occupation

- 1) Former Consultant – Sg. Sustainable Oil Ghana Ltd., Accra, Ghana, West Africa

Qualification/Professional body

- 1) Member of Malaysian Institute of Management, Incorporated Society
- 2) Secretary of Malaysian Palm Oil Association (Johor Branch)

### 3) Committee Member of Malaysian Estate Owners Association

#### Details of any Board committee to which Director belongs

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#### Directorship in other Public Listed Companies

1) Sungei Bagan Rubber Company (Malaya) Berhad

#### Relationship with other Directors and/or substantial shareholders

No family relationship with other Directors and/or substantial shareholders of the Company

### **Board Duties and Responsibility**

The Board's responsibility as a whole is to ensure the adequacy and integrity of the Group's risk management and its internal control system and being collectively responsible for the success of the Group.

The Board's role is to govern the Company. In governing, the Directors must act honestly, fairly, diligently and in accordance with the law in the best interest of the Company. It is the responsibility of the Board to oversee the activities of Management in managing the Company.

Being responsible for setting the overall strategy of the Group and making decisions on major operational and financial matters, the Board reserves for its decision or approval matters involving: -

- Annual and quarterly reports
- Annual budgets
- Composition and terms of reference of Board committees
- Capital allocation decisions
- Major acquisitions and divestments
- Major transactions
- New business segments
- Recommendations on Directors' appointment and re-appointment
- Remuneration of Executive Directors, Non-executive Directors and Senior Management

The Non-executive and Independent Directors, serve the important functions of providing unbiased and independent views, advising management on strategies, ensuring high standards of financial and regulatory oversight, and providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole.

Progress against actionable items highlighted on the agenda of the previous Board meetings are closely monitored and discussed at subsequent meetings.

The Board is also responsible to ensure that the financial statements is prepared in accordance with the Companies Act and applicable approved accounting reporting standards, so as to give a true and fair view of the state of affairs of the Group.

### **Board Composition**

Currently, the Board comprises six (6) members made up of three (3) Executive Director and three (3) Independent Non-Executive Directors. The Board composition reflects a balance within executive directors and non-executive directors and complies with Paragraph 15.02(1) of the Main Market Listing Requirements of Bursa Securities which requires at least two (2) or one-third (1/3) of the Board, whichever is the higher, to be Independent Directors. In the event of any vacancy in the Board of Directors resulting in non-compliance with Paragraph 15.02(1) of the Main Market Listing Requirements of Bursa Securities, the vacancy must be filled within three (3) months.

The Board has a good balance of members such that no one individual or a small group of individuals can dominate the Board's decision making process. The Board consists of experienced Directors that are professionals from various backgrounds with expertise in areas comprising of business, finance, management, palm oil industry and law.

With their diverse backgrounds and specializations, the Directors bring along a wide range of experience, expertise and perspective in discharging their responsibilities and duties in the process of enhancing value in the Group. The Board recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Independent Directors provide independent judgement, experience and objectivity. Independent Directors assist in ensuring that the interests of all Shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board. The role of Chairman is held by an Independent Non-Executive Director.

In 2017, the Board formalized the approach towards Boardroom diversity by establishing a Board Diversity Policy for the Company. The purpose of the Board Diversity Policy is to set out the approach to achieve the objective of the Board having the diversity of perspectives, experiences and skills necessary for effective governance of the Company.

The Company views increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives. Appointment of Board members are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

### **Chairman**

The Chairman's responsibilities are to provide leadership to the Board, facilitate the meeting process, setting the agenda for all Board of Directors meetings and ensure that the Board and its Committees function effectively.

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

- 1) To lead the Board and ensure its effectiveness of all aspects of its role;
- 2) To ensure the efficient organization and conduct of the Board's function and meetings;
- 3) To facilitate the effective contribution of all Directors at Board meetings;
- 4) To promote constructive and respectful relations between Directors, and between the Board and Management; and
- 5) To ensure effective communication with Shareholders and relevant stakeholders.

### **Delegation to Management**

Management's role is to manage the Company in accordance with the direction and delegation by the Board. Day-to-day operational responsibilities are delegated by the Board to Management involving: -

- Execution of business strategies and initiatives adopted by the Board
- Implementation of sound and effective internal controls
- Preparation of annual and quarterly financial statements for Board approval
- Review of relevant financial, operational and compliance controls and risk management functions, ensuring relevant statutory and regulatory compliance.
- The Board and Management fully appreciate their respective roles and responsibilities, and are supportive of the development of a healthy corporate governance culture.
- Senior management is requested to attend Board meetings to present and provide additional information on matters being discussed and to respond to any queries that the Directors may have.

### **Board Meetings**

The Board shall conduct at least four (4) scheduled meetings annually, with additional meetings to be convened as and when necessary.

### **Appointments and Re-election**

Appointment of a new Director is a matter for consideration and decision by the full Board, upon the recommendation from the Nominating Committee. In making these recommendations, the Nominating Committee will consider the required mix of skills, experience and diversity, including gender, where appropriate, which the Director in consideration can contribute to the Board.

The Nominating Committee adopts a non-discriminatory policy towards identifying, assessing and appointing suitably qualified Directors to its Board, and will regularly evaluate the composition and performance of the Board. This ensures that these objectives are adopted in board recruitment, board performance evaluation and succession planning processes.

The Board also recognizes the importance of fostering the development of women in decision-making positions in the corporate sector. Whilst the Board has not implemented any definitive policy on the proportion of female Directors, suitable female candidates are considered for Board participation. For the year ended 30 June 2017, there were no female Directors on the Board.

In identifying candidates, the Board is not limited to recommendations from existing Board members, management or major shareholders. The Board will also consider utilizing independent sources to identify suitably qualified candidates, and will conduct all Board appointment processes in a manner as recommended by the MCCG 2017.

The Articles of Association of the Company provides that every newly appointed Director to hold office only until the next Annual General Meeting at which they will retire and be subjected to re-election at the immediate Annual General Meeting.

Further, one third (1/3) of the Board shall retire from office and be eligible for re-election at every Annual General Meeting, and all the Directors shall submit themselves for re-election at least every three (3) years.

Pursuant to the Companies Act, 1965, Directors above seventy (70) years of age shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

### **Independence of a Director**

The Board assesses the independence of Independent Directors annually by taking into consideration their background, disclosed interests, family relationship and other the criteria set by the Nominating Committee for assessing the independence of Directors.

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years and if continued on the Board as Independent Director, the Board shall seek shareholder's approval or the said director will be re-designated as a Non-Independent Director.

If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12<sup>th</sup>) year, the Board should seek annual shareholders' approval through a two-tier voting process.

### **New Directorship**

Any Director accepting new directorship in other companies will be required to make known to the Board prior to his/her new appointment and give commitment to the Board that his/her time for attending Board meetings will not be compromise in any manner.



The Chairman is also required to notify the Board if he has any new directorship or significant commitments outside the Company.

### **Remuneration**

The Group's remuneration policy for Directors is tailored to provide a remuneration package needed to recruit, retain and motivate individuals of the necessary calibre and quality needed to run the Group successfully.

The Board will review for approval, recommendations from the Remuneration Committee on the remuneration packages of Executive Directors and Senior Management, and Directors' fees for Shareholders' approval at the AGM of the Company. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies may be taken into consideration in determining these remunerations.

For the Executive Directors and Managing Directors, the Remuneration Committee considers corporate and individual performance, as well as performance on a range of other factors including accomplishment of strategic goals. The Remuneration Committee ascertains and recommends the remuneration packages of Executive Directors to the Board for its approval.

Non-Executive Directors are paid fixed annual director fees as members of the Board and Board Committees. The Remuneration Committee recommends the Directors' fees payable to the Board and are deliberated at the Board before it is presented at the AGM for Shareholders' approval. The amount of remuneration for each of the Non-Executive Director varies with the level of responsibilities undertaken by the individual.

In addition to fixed annual director fees, all Non-Executive Directors are paid a meeting attendance allowance. In recognition of the additional time and commitment required, the Chairman of the respective Board Committees also receives an annual fixed fee for their chairmanship in the respective Board Committees. Individual Directors are not permitted to participate in discussion and decision of their own remuneration.

### **Continuing Education Programs**

All Directors must complete the Mandatory Accreditation Programs and Continuing Education Programs prescribed by Bursa Securities.

All Directors are encouraged to undergo relevant trainings and seminars at the Company's expense to further enhance their knowledge and to keep themselves abreast with developments in the market place, i.e. relevant new regulations, legislation and changing commercial risks whilst discharging their duties.

## **Board Committees**

The Board delegates certain functions to the following Committees to assist in the execution of its responsibilities:-

- 1) Audit Committee;
- 2) Nominating Committee;
- 3) Remuneration Committee; and
- 4) Risk Management Committee.

## **Audit Committee (Terms of Reference)**

### **1. Composition**

The Committee shall be appointed by the Board from amongst its Directors which fulfils the following requirements: -

- a) the audit committee must be composed of not fewer than three (3) members;
- b) all the audit committee members must be non-executive directors, with a majority of them being independent directors;
- c) a former key audit partner has to observe a cooling off period of at least two (2) years after the date of his engagement prior to his appointment as a member of the audit committee; and
- d) at least one (1) member of the 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 three (3) years' working experience and:
    - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
    - ii. he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
  - iii. fulfils such other requirements as prescribed or approved by the Exchange - Bursa Malaysia Securities Berhad ("Bursa Securities").

A listed issuer must ensure that no alternate director is appointed as a member of the Audit Committee.

In the event of any vacancy in the Committee with the result that the number of members reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the term of office and performance of the Committee and each of its members annually.

## **2. Quorum**

The quorum for meetings of the Committee shall be two (2) and the majority of members present must be independent directors.

## **3. Chairman**

The members of the Committee shall elect a Chairman from among their numbers who is an Independent Director and shall not be the Chairman of the Board.

## **4. Meetings**

The Committee shall meet not less than four (4) times a year and report to the Board of Directors. The Committee meetings shall be planned to coincide with the audit cycle and the timing of publication of financial statements. In addition, the Chairman shall convene a meeting of the Committee if requested to do so by any member, the management, or the internal or external auditors to consider any matters within the scope and responsibilities of the Committee.

Any decision of the Committee shall be by simple majority. Where necessary and appropriate, any decision of the Audit Committee can also be made or passed by way of a written circular resolution.

A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of a number of the Committee members being not less than the quorum shall be deemed to constitute a meeting of the Committee wherever in the world they are, as long as: -

- a) the quorum is met;
- b) at the commencement of the meeting each Committee member acknowledges his presence thereof to all the other members taking part and such participation shall be deemed to be his presence in person;
- c) each of the Committee members taking part is able to be heard and hear each of the other members subject as hereinafter mentioned throughout the meeting; and
- d) the Committee members present at the commencement of the meeting do not leave the meeting by disconnecting the telephone, but the meeting shall be deemed to have been conducted validity notwithstanding that the telephone or electronic communication media is accidentally disconnected during the meeting and provided that no discussions or decisions should be made in respect of matters by the members during disconnection and that if the telephone or

electronic communication media cannot be re-connected at all, the meeting shall then be adjourned.

A representative of the external auditors and the Senior Finance Manager may be invited to attend meetings where appropriate. However, the Committee may invite any person to be in attendance to assist in its deliberations. Any other Directors and employees shall attend any particular Committee meeting only at the Committee's invitation, specific to the relevant meeting.

The auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.

Upon the request of the auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the auditors believe should be brought to the attention of the Directors or shareholders.

The Committee may regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of the minutes and the custody, production and inspection of such minutes.

## **5. Objectives**

The general objective of the Committee is to ensure adequacy and effectiveness of the Company's system of internal controls and the quality of performance in carrying out their assigned responsibilities.

## **6. Functions**

The functions of the audit committee shall be: -

a) To review the following and report the same to the Board of Directors: -

- i. with the external auditors, the audit plan, the scope of work and ascertain that it will meet the needs of the Board, the shareholders and the regulatory authorities;
- ii. with the external auditors, their evaluation of the quality and effectiveness of the entire accounting system, the adequacy and the integrity of the internal control system and the efficiency of the Group's operations and efforts and processes taken to reduce the Group's operational risks;
- iii. with the external auditors, their audit report;
- iv. the assistance given by the Group's officers to the external auditors;
- v. the suitability, objectivity and independence of the external auditor annually;
- vi. the adequacy of the scope, function and resources of the internal audit functions and that it has the necessary authority to carry out its work including inter-alia the appointment of the internal auditors;

- vii. the internal audit programme, processes, the results of the internal audit programme, process, process or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - viii. the quarterly results and the year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on: -
    - i. changes in or the implementation of major accounting policy changes;
    - ii. significant and unusual events;
    - iii. the accuracy and adequacy of the disclosure information essential to a fair and full presentation of the financial affairs of the Group; and
    - iv. compliance with accounting standards and other legal requirements.
  - ix. any related party and inter-company transactions and conflict of interest situation that may arise within the Group and the Company including any transactions, procedure or course of conduct that raises questions of management integrity;
  - x. the propriety of accounting policies, principles and practices adopted by the management and accepted by the external auditors, where alternatives are also acceptable;
  - xi. any letter of resignation from the external auditors of the Company;
  - xii. whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment; and
  - xiii. any significant audit findings, reservation, difficulties encountered or material weaknesses reported by the external and internal auditors.
- b) To recommend the Nominating of a person or persons as external auditors and internal auditors; and their audit fee;
- c) To promptly report to Bursa Malaysia on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach in the Bursa Malaysia's Listing Requirements;
- d) To submit to the Board on a periodic basis a report on the summary of activities of the Committee in the discharge of its function and duties in respect of each financial quarter and the financial year;
- e) To carry out other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effective discharge of the Company's duties and responsibilities; and
- f) To verify the criteria for allocation of options pursuant to a share scheme for employee.

## **7. Power**

The Committee shall: -

- a) have explicit authority to investigate any matter within its term 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 and its subsidiary;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- e) be able to obtain independent professional or other advice;
- f) be able to convene meetings with external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary;
- g) have authority to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee; and
- h) have authority to use the services of professional firm, seek independent professional advice or request attendance of an outsider with relevant experience at the expense of the Company in the course of investigation of any matter.

## **8. Review**

The Terms of Reference shall be reviewed from time to time to ensure that it reflects current best practice in corporate governance and risk management. Board's approval is required for any changes in the Terms of Reference.

This Terms of Reference was updated and approved by the Board of Directors on 28 May 2018.

## **Nominating Committee (Terms of Reference)**

### **1. Composition**

The Nominating Committee shall consist of at least three (3) members which comprises exclusively of Non-Executive Directors, a majority of whom must be independent.

Members of the Nominating Committee shall be appointed by the Directors among their number at a Board Meeting or via a Directors' Circular Resolution in writing.

Members of the Nominating Committee may relinquish their membership in the Committee with prior written notice to the Company Secretary and may continue to serve as Director of the Company.

In the event of any vacancy in the Committee, the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### **2. Quorum**

The quorum for each meeting shall be a majority of members present.

### **3. Chairman**

Members of the Nominating Committee shall elect a Chairman who is a Senior Independent Director or Independent Director.

### **4. Meetings**

The Nominating Committee shall meet at least once (1) a year. A member may at any time and the Secretary shall on the requisition of a member, summon a meeting of the Nominating Committee.

Any question arising at any meeting shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination of the Nominating Committee. Where necessary and appropriate, any decision of the Nominating Committee can also be made or passed by way of a written circular resolution.

The Company Secretary shall be the Secretary of the Nominating Committee. The Secretary is responsible for sending out notices and preparing and keeping minutes of meetings. The Minutes of the Committee meeting shall be extended to all the members of the Board of Directors. The Committee shall record its conclusions in discharging its duties and responsibilities.

A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of a number of the Committee members being not less than the quorum shall be deemed to constitute a meeting of the Committee wherever in the world they are, as long as: -

- a) the quorum is met;
- b) at the commencement of the meeting each Committee member acknowledges his presence thereof to all the other members taking part and such participation shall be deemed to be his presence in person;
- c) each of the Committee members taking part is able to be heard and hear each of the other members subject as hereinafter mentioned throughout the meeting; and
- d) the Committee members present at the commencement of the meeting do not leave the meeting by disconnecting the telephone, but the meeting shall be deemed to have been conducted validity notwithstanding that the telephone or electronic communication media is accidentally disconnected during the meeting and provided that no discussions or decisions should be made in respect of matters by the members during disconnection and that if the telephone or electronic communication media cannot be re-connected at all, the meeting shall then be adjourned.

## **5. Objectives**

The primary objective of the Nominating Committee is to ensure that the Directors of the Board bring characteristics to the Board which should provide a required mix of skills, experience, expertise, independence and diversity (including gender, ethnicity and age).

The Nominating Committee will also assist the Board in reviewing on an annual basis the appropriate balance and size of Non-Executive participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, and contribution of each individual Director and Board of Committee member.

Where a vacancy exists or when it is considered that the Board would benefit from the services of a new Director with particular skills, the Nominating Committee will select one or more candidates with the appropriate expertise and experience.

## **6. Responsibilities**

- a) Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness;
- b) Review annually its required mix of skills, experience, independence and diversity



(including gender, ethnicity and age) and other qualities, including core competencies which Non-Executive Directors should bring and disclose the same in the Annual Report;

- c) Recommend suitable orientation, educational and training programmes to continuously train and equip the existing and new Directors;
- d) Recommend to the Board, candidates for all directorship proposed by the Chief Executive Officers and within the bounds of practicability, by any other senior executive or any Director or shareholder to be filled by the shareholders of the Board and Directors to fill the seats of the Audit, Nominating, Remuneration and other Committees;
- e) Assess annually the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director based on the process implemented by the Board;
- f) Assess and recommend to the Board, the re-election by rotation or re-appointment of Directors in accordance with the Company's Articles of Association or other prevailing law;
- g) Review the Board's and Senior Management's succession plan; and
- h) Assess and recommend to the Board, the continuation of terms of office of Independent Directors in compliance with MCGG 2017.

## **7. Power**

In carrying out its duties and responsibilities, the Nominating Committee will in principle have full, free and unrestricted access to the Company's records, properties and personnel. The Nominating Committee may use the services of professional recruitment firms to source for the right candidate for directorship or seek independent professional advice.

## **8. Review**

The Terms of Reference shall be reviewed from time to time to ensure that it reflects current best practice in corporate governance and risk management. Board's approval is required for any changes in the Terms of Reference.

The Terms of Reference was updated and approved by the Board of Directors on 28 May 2018.

## **Remuneration Committee (Terms of Reference)**

### **1. Composition**

The Remuneration Committee shall consist of at least three (3) members, which comprises exclusively of Non-Executive Directors, a majority of whom must be independent.

Members of the Remuneration Committee shall be appointed by the Directors among their number at a Board Meeting or via a Directors' Circular Resolution in writing.

Members of the Remuneration Committee may relinquish their membership in the Committee with prior written notice to the Company Secretary and may continue to serve as Director of the Company.

In the event of any vacancy in the Committee, the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### **2. Quorum**

The quorum for each meeting shall be a majority of members present.

### **3. Chairman**

Members of the Remuneration Committee shall elect a Chairman from among their numbers who shall be an Independent Director.

### **4. Meetings**

The Remuneration Committee shall meet at least once (1) a year. A member may at any time and the Secretary shall on the requisition of a member, summon a meeting of the Remuneration Committee.

Any question arising at any meeting shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination of the Remuneration Committee. Where necessary and appropriate, any decision of the Remuneration Committee can also be made or passed by way of a written circular resolution.

Executive Directors shall abstain from the deliberations and voting on decisions in respect of their remuneration package. The remuneration and entitlement of the Non-Executive Directors, including the Non-Executive Chairman, shall be a matter to be decided by the Board of Directors as a whole with the Director concerned abstaining from the deliberations and voting on decisions in respect of his individual remuneration.

The Company Secretary shall be the Secretary of the Remuneration Committee. The Secretary is responsible for sending out notices of the meetings and preparing and keeping minutes of meetings. The minutes of the Committee meeting shall be extended to all the members of the Board of Directors. The Committee shall record its conclusions in discharging its duties and responsibilities.

A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of a number of the Committee members being not less than the quorum shall be deemed to constitute a meeting of the Committee wherever in the world they are, as long as: -

- a) the quorum is met;
- b) at the commencement of the meeting each Committee member acknowledges his presence thereof to all the other members taking part and such participation shall be deemed to be his presence in person;
- c) each of the Committee members taking part is able to be heard and hear each of the other members subject as hereinafter mentioned throughout the meeting; and
- d) the Committee members present at the commencement of the meeting do not leave the meeting by disconnecting the telephone, but the meeting shall be deemed to have been conducted validly notwithstanding that the telephone or electronic communication media is accidentally disconnected during the meeting and provided that no discussions or decisions should be made in respect of matters by the members during disconnection and that if the telephone or electronic communication media cannot be re-connected at all, the meeting shall then be adjourned.

## **5. Objectives**

The Committee is to assist in assessing the appropriate remuneration of Directors and key Senior Management.

## **6. Responsibilities**

- a) To assist the Board in ensuring the remuneration framework of Directors and key Senior Management reflect the responsibility, level of expertise, performance and/or commitment as required of the position;
- b) To recommend to the Board, guidelines for determining remuneration of Non-Executive Directors;
- c) To recommend to the Board the remuneration framework of Executive Directors and key Senior Management;

- d) To recommend to the board performance related pay schemes for Executive Directors and key Senior Management;
- e) To review benefits and entitlements of Executive Directors and key Senior Management;
- f) To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfil its functions;
- g) To meet with Nominating Committee on a separate session on the performance of Directors and senior management with a view of integrating the information in recommending to the Board the proposed remuneration of Directors and senior management; and
- h) Oversee the qualitative and quantitative disclosures of remuneration made in the annual report and/or other means as required by authorities from time to time.

## **7. Power**

In carrying out its duties and responsibilities, the Remuneration Committee will in principle have full, free and unrestricted access to the Company's records, properties and personnel. The Remuneration Committee may obtain the advice of external consultants on the appropriateness of remuneration package.

## **8. Review**

The Terms of Reference shall be reviewed from time to time to ensure that it reflects current best practice in corporate governance and risk management. Board's approval is required for any changes in the Terms of Reference.

This Terms of Reference was updated and approved by the Board of Directors on 28 May 2018.

## **Risk Management Committee (Terms of Reference)**

### **1. Composition**

The Risk Management Committee shall consist of at least three (3) members, a majority of which shall comprise Independent Directors.

Members of the Risk Management Committee shall be appointed by the Directors amongst their number at a Board Meeting or via a Directors' Circular Resolution in writing.

Members of the Risk Management Committee may relinquish their membership in the Committee with prior written notice to the Company Secretary and may continue to serve as Director of the Company.

In the event of any vacancy in the Committee, the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### **2. Quorum**

The quorum for each meeting shall be a majority of members present.

### **3. Chairman**

Members of the Risk Management Committee shall elect a Chairman from among their number who shall be an Independent Director.

### **4. Meetings**

The Risk Management Committee shall meet at least once (1) a year. A member may at any time and the Secretary shall on the requisition of a Director/member, summon a meeting of the Risk Management Committee. The Committee may invite any personnel and/or independent parties to attend the meeting.

Any question arising at any meeting shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination of the Risk Management Committee. Where necessary and appropriate, any decision of the Risk Management Committee can also be made or passed by all members by way of a written circular resolution.

The Company Secretary shall be the Secretary of the Risk Management Committee. The Secretary is responsible for sending out notices of and preparing and keeping minutes of meetings. The minutes of the Committee meeting shall be extended to all the Directors. The Committee shall record its conclusions in discharging its duties and responsibilities.

A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of a number of the Committee members being not less than the quorum shall be deemed to constitute a meeting of the Committee wherever in the world they are, as long as-

- a) the quorum is met;
- b) at the commencement of the meeting each Committee member acknowledges his presence thereof to all the other members taking part and such participation shall be deemed to be his presence in person;
- c) each of the Committee members taking part is able to be heard and hear each of the other members subject as hereinafter mentioned throughout the meeting; and
- d) the Committee members present at the commencement of the meeting do not leave the meeting by disconnecting the telephone, but the meeting shall be deemed to have been conducted validity notwithstanding that the telephone or electronic communication media is accidentally disconnected during the meeting and provided that no discussions or decisions should be made in respect of matters by the members during disconnection and that if the telephone or electronic communication media cannot be re-connected at all, the meeting shall then be adjourned.

## **5. Objectives**

The primary objectives of the Risk Management Committee are as follows: -

- a) to oversee the Company and its subsidiaries' risk management matters including but not limiting to framework, policies and procedures.
- b) to review the effectiveness of the risk management framework in identifying and managing risks and internal processes which include but not limited to ensuring the adequacy of risk management policy and infrastructure to facilitate the implementation of action plans for risk management.

## **6. Responsibilities**

To do the followings and report the same to the Board of Directors: -

- a) Define and recommend the principles, framework and process for managing risks within the Group, for consideration and approval by the Board;
- b) Review and approve the inclusion of revisions to the risk management principles, framework and process arising from the Risk Management Committee or the Board's decision to ensure that they remain relevant for use;
- c) Review and recommend the annual Risk Profile which specifies key risks for

approval by the Board;

- d) Review, monitor and assess the effectiveness of risk treatment/mitigation action plan(s) for the management and control of risks;
- e) Review new project/product and ensure the appropriate and relevant risks have been adequately addressed before submission to the Board for approval on any proposed new project/product launch;
- f) Review if necessary together with other committees, management, internal auditors, external auditors and other parties any significant risks that could affect the Group and assess the steps that the Management has taken to manage such risks;
- g) Review the annual risk management report on adequacy and effectiveness of risk management within the Group;
- h) Benchmark risk management practices of the Group against international recognized standards;
- i) Review the compliance framework, the plan and the scope of work of the compliance function; and
- j) Monitor the overall compliance to the internal policies, statutory and regulatory requirements as well as guidelines for the Group.

## **7. Power**

In carrying out its duties and responsibilities, the Risk Management Committee will in principle have full, free and unrestricted access to the Company's records, properties and personnel. The Risk Management Committee may obtain the advice of external consultants in assessing the risk framework and profile of the Company.

## **8. Review**

The Terms of Reference shall be reviewed from time to time to ensure that it reflects current best practice in corporate governance and risk management. Board's approval is required for any changes in the Terms of Reference.

This Terms of Reference was approved by the Board of Directors on 28 May 2018.

#### **D) COMPANY SECRETARY**

The Board is supported by an independent qualified Company Secretary in an advisory role to the Board, on both administrative as well as governance matters.

The Board has appointed a Company Secretary who is considered capable of carrying out the duties to which the post entails, and the removal of the Company Secretary shall be a matter for the Board as a whole.

The Company Secretary shall be of a senior position with adequate authority and shall report directly to the Board.

The seven (7) specific responsibilities of the Company Secretary are as follows:-

- 1) Advise the Board and Management on governance issues;
- 2) Ensure compliance of listing and related statutory obligations;
- 3) Attend Board, Committees and general meetings, and ensure the proper recording of minutes;
- 4) Ensure proper upkeep of statutory registers and records;
- 5) Assist Chairman in the preparation for and conduct of meetings;
- 6) Assist Chairman in determining the annual Board plan and the administration of other strategic issues; and
- 7) Assist in the induction of new directors, and continuously update the Board on changes to listing rules, other related legislations and regulations.

The Company Secretary organizes and attends all Board and Board Committee Meetings and is responsible for ensuring that meeting procedures are followed, and all proceedings and conclusions from the Board Meetings are minuted and signed by the Chairman in accordance with the provision of Section 156 of the Companies Act, 1965. The Company's statutory records are maintained accordingly at the Company's registered office.

#### **E) INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION**

The Board recognizes the importance of accurate and timely dissemination of information to shareholders on all material business affecting the Group. The Company makes quarterly announcements of the financial results of the Company and the Group within the time frame prescribed in the Listing Requirements of Bursa Malaysia, accompanied by a balanced and comprehensive assessment of the performance and position of the Company and the Group. The Company's Annual Report, containing the Financial Statements of the Company and the Group for the financial year, also contains other pertinent information and disclosures to enable shareholders and investors to have a better understanding of the Group's business and performance.



In addition, the Group maintains a website *www.kluangrubber.com*, which provides shareholders and the public in general access to information about the Group which includes, corporate information, financial information, announcements and investor relations.

The Annual General Meeting (“AGM”) is the principal forum for dialogue with Shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report at least twenty-one (21) days prior date of AGM. Board members are available to respond to all queries and undertake to provide sufficient clarification on issues and concerns raised by the Shareholders. The external auditors are also present to provide their professional and independent clarification on queries raised by Shareholders. Status of all resolutions proposed at the AGM is announced to Bursa Securities at the end of the meeting day.

Any queries or concern about the Group’s business can be conveyed through the Company Secretaries who would then refer the matter to the attention of the Board. Shareholders may also directly approach the Independent Non-Executive Directors of the Company on these issues. Shareholders may also contact the Group through electronic mail at *enquiry@kluangrubber.com*.

#### **F) ACCESS TO INFORMATION AND INDEPENDENT ADVICE**

Prior to each Board meeting, all Directors will receive a full set of Board papers with due notice of issues to be discussed, in a timely manner. Relevant Directors will provide explanation to pertinent issues when necessary.

Quarterly Board Meetings are scheduled in advance for the year. For the case of Ad-hoc and additional meetings, these will be concerned with at least two (2) weeks prior notice whenever possible.

All Directors are provided with an agenda and a set of Board papers prior to Board meetings. Agenda and accompanying Board papers are sent in full to all Directors at least five (5) business days prior to the date of the meeting to give the Directors sufficient time to prepare to deal with matters arising from such meetings. Minutes of Board meeting are circulated to all Directors for their perusal prior to the confirmation of the Minutes at the following Board meeting.

The Company Secretary is responsible for the integrity of Board documents, including the Minutes of the Board meetings. The Company Secretary attends all board meetings whereby all proceedings and conclusions from the Board Meetings are minuted and signed by the Chairman in accordance with the provision of Section 156 of the Companies Act, 1965. The Board shall ensure that the Minutes are concise summary of the matters discussed at a Board meeting and contain a brief reference to relevant Board papers tabled plus any official resolutions adopted by the Directors. All decisions will be recorded in the Minutes. The Board formally adopts the draft minutes at the subsequent meeting.

All Directors have unrestricted access to all information and the advice as well as services of the Company Secretaries and external auditors whether as the Board or in their individual capacity, in the furtherance of their duties. Directors may interact directly with, or request further explanation, information or updates on any aspect of the Group's operations of business concerns from Management. They may obtain independent professional advice at their discretion at the Company's expense, and depending on the quantum of fees involved.

### **G) CODE OF CONDUCT & BUSINESS ETHICS**

The Code of Conduct & Business Ethics is to be observed by all Directors and employees of the Group. Management shall review and update the Code in accordance with the needs of the Company and any new regulations to ensure that it continues to remain relevant and appropriate.

The Code of Conduct & Business Ethics is made available for reference on the Company's website at [www.kluangrubber.com](http://www.kluangrubber.com).

### **H) REVIEW OF THE BOARD CHARTER**

The Board Charter was adopted by the Board on 10 October 2013 and any subsequent amendment to the Board Charter will be approved by the Board. The Board Charter will be reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties or responsibilities.

This Board Charter was updated and approved by the Board on 28 May 2018. This Board Charter is made available for reference on the Company's website.