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# **KOSSAN RUBBER INDUSTRIES BHD**

(Company No. 197901003918 (48166-W))

## **BOARD CHARTER**

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## **1. INTRODUCTION**

The Board Charter sets out the strategic intent of the Board and outlines the respective roles, responsibilities and authorities of the Board, Board members and Board Committees as well as those delegated to management in meeting the goals and objectives of Kossan Rubber Industries Bhd and its subsidiaries ("Group").

This Board Charter is subject to the provisions of the Constitution of the company, the Companies Act 2016 ("CA2016"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), the Capital Markets Services Act 2007, the Malaysian Code on Corporate Governance 2021 ("MCCG") and any other applicable laws or regulatory requirements.

## **2. PURPOSE**

The purpose of the Board is to set out the Group's strategic aims, values and standards, and ensure that adequate resources are allocated to enable the Group to achieve its goals and deliver long-term sustainable growth and value to the Group and its shareholders.

This Board Charter serves as a reference to all board members in carrying out their fiduciary duties as directors of the company.

## **3. BOARD STRUCTURE AND COMPOSITION**

The Constitution of the company provides for a minimum of two (2) Directors and a maximum of nine (9) Directors.

At least two (2) or 1/3 of the Board members, whichever is higher, shall be Independent Non-Executive Directors ("INED").

The tenure of an INED should not exceed a cumulative term limit of nine (9) years.

## **4. ROLES AND RESPONSIBILITIES**

The respective roles and responsibilities of the Board, individual Board members, Board Committees and Management are clearly set out in the Board Charter together with their governance structure, authority and terms of reference.

### **4.1 Role of the Board**

All Directors should objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. Every Director must

act with integrity, lead by example, keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Group.

The key responsibilities of the Board, includes among others:

- a. Promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
- b. Review, challenge and decide on management's proposals for the Group, and monitor its implementation by management;
- c. Review and approve strategic initiatives of the Group supporting long-term value creation including strategies on economic, environmental and social considerations underpinning sustainability;
- d. Supervise and assess management performance to determine whether the business is being properly managed;
- e. Understand the principal risks of the company's business and recognise that business decisions involve the taking of appropriate risks;
- f. Set the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- g. Ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession and replacement of senior management;
- h. Ensure that the company has in place procedures to enable effective communication with stakeholders;
- i. Ensure that all directors are able to understand financial statements and form a view on the information presented; and
- j. Ensure the adequacy and integrity of the Group's financial and non-financial reporting.

## **4.2 Role of the Board Chairman**

The Chairman of the Board besides presiding over meetings of Directors, is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board.

The positions of Chairman and the Group Chief Executive Officer (“Group CEO”) are held by different individuals.

The separation of the positions of the Chairman and Group CEO promotes accountability and facilitates division of responsibilities between them.

The responsibilities of the Chairman should include leading the Board in its collective oversight of management, while the Group CEO focuses on the business and day-to-day management of the company.

The key responsibilities of the Board Chairman include the following:

- a. setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- b. leading Board meetings and discussions;
- c. encouraging active participation and allowing dissenting views to be freely expressed;
- d. managing the interface between Board and Management;
- e. ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- f. leading the Board in adoption and implementation good corporate governance practices in the Group.

## **4.3 Role of the Senior Independent Non-Executive Director**

The Senior Independent Non-Executive Director (“SINED”) shall be nominated from amongst the Independent Non-Executive Directors (“INED”) and shall:

- a. serve as the principal conduit between the Chairman and the Board;
- b. serve as oversight for the Whistleblowing function; and
- c. consult with the Chairman regarding Board meeting schedules to ensure Directors able to perform their duties responsibly and with sufficient time for discussion of all agenda items.

#### **4.4 Role of Individual Directors**

All Directors are expected to comply with their legal, statutory and equitable duties and obligations when discharging their fiduciary responsibilities as Directors. These duties include:

- a. acting in good faith and in the best interests of the Group;
- b. exercising independent judgment and not to delegate powers except with proper authorisation;
- c. acting with reasonable care, skill and diligence;
- d. demonstrating good stewardship and acting in a professional manner with sound mind;
- e. avoiding a situation in which the Director has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Group;
- f. not to enter into transactions in which the Directors have an interest except in compliance with the requirements of the law;
- g. ensuring Board information, discussions, deliberations and decisions that are not publicly known are not used for personal interest, or their employers' interest;
- h. not to make any unauthorised use of the company's property or information for personal gain;
- i. not to gain any advantage from use of position as a Director;
- j. disclosure of and abstaining from voting on matters of material personal interest;
- k. not to accept any personal benefit from third parties conferred because of the Director's position as a Director; and
- l. ensuring compliance with the Companies Act, Capital Market Services Act, MMLR and statutory regulations.

In discharging their role as Directors, the individual Director:

- a. shall devote sufficient time to prepare for and attend Board and Board Committee meetings, attend Directors' continuous training programmes and briefings;
- b. must attend at least fifty (50) percent of the Board meetings held in each financial year;
- c. must keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Group; and
- d. 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.

#### **4.5 Role of the Group Chief Executive Officer**

The Group Chief Executive Officer assumes the overall responsibilities for the execution of the Group's strategies in line with the Board's direction.

The Group CEO oversees the operations and management of the Group and drives the Group's businesses and performance towards achieving the Group's vision and goals.

The key roles of the Group CEO include, among others:

- a. serving as the conduit between the Management and the Board in ensuring the success of the Group's management and governance functions;
- b. developing long term strategic and short-term profit plans designed to ensure that the Group's requirements for growth, profitability and return on capital are achieved;
- c. overseeing the day-to-day business operations, implementing Board policies and strategies, and making operational decisions;
- d. ensuring effective relationships and communication with Management, and between the Board, shareholders and relevant stakeholders;
- e. providing strong leadership by effectively communicating the Group's vision, mission, business strategy and goals to employees; and
- f. updating the Board of salient aspects and issues concerning the Group's operations, including those related to environment, safety and health.

#### **4.6 Role of the Company Secretary**

The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

The Company Secretary through the Chairman plays an important role in good governance by helping the Board and its Committees to function effectively and in accordance with their terms of reference and best practices.

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

- a. Manage all Board and Committee meeting logistics, attend and record minutes of all Board and Committee meetings and facilitate Board communications;

- b. Advise the Board on its roles and responsibilities;
- c. Facilitate the orientation of new Directors and assist in Director training and development;
- d. Advise the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;
- e. Manage processes pertaining to the annual shareholders' meeting;
- f. Monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and
- g. Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

A suitably qualified Company Secretary should possess the knowledge and experience to carry out his functions. These may include knowledge in company and securities law, finance, governance, company secretaryship and other areas of compliance such as the listing requirements. The Company Secretary should undertake continuous professional development.

## **5. AUTHORITY OF THE BOARD**

The Board has the authority to conduct the following at the expense of the Group in furtherance of their duties:

- a. Be provided with resources in order to perform its duties;
- b. Have direct access to the Senior Management team and the external auditors;
- c. Have direct communication channels and access to the Company Secretary, and full and unrestricted access to information, records, properties and personnel of the Group in performing their duties;
- d. Obtain external, legal or independent professional advice as deemed necessary;
- e. Convene meetings with the external auditors without the attendance of any executive;
- f. Have immediate access to reports on fraud or irregularities from the Group's Management team; and
- g. Authorise investigations into fraud, illegal acts or suspected violations of Group policies involving Management or Directors.



## **6. MATTERS RESERVED FOR THE BOARD**

The issues and decisions reserved for the Board is attached as Schedule A and should be guided by the following principles:

- a. While the Board may appropriately delegate its authority to Board Committees or Management, it should not abdicate its responsibility and should at all times exercise collective oversight of the Board Committees and Management;
- b. The Board should not delegate matters to a Committee or Management to an extent that would significantly hinder or reduce the Board's ability to discharge its functions;
- c. Where the Board delegates any of its responsibilities, it is encouraged to disclose the delegation of authority; and
- d. Regular review of the division of responsibilities should be conducted to ensure that the Group is able to adapt to changing business circumstances.

## **7. BOARD MEETINGS**

### **Frequency**

The Board shall meet at least five (5) times in a financial year, with additional meetings to be convened as and when necessary.

### **Board Meeting Calendar**

The Board's annual meeting calendar is prepared and circulated to all Directors before the beginning of each year.

### **Notice and Agenda**

Notices and agenda of meetings are duly endorsed by the Chairman together with the relevant Board papers shall be distributed at least five (5) working days prior to the Board meetings.

### **Quorum**

The quorum for a Board meeting shall be a minimum of fifty percent (50%) of the Directors of the Board. In the absence of the Chairman, the members present shall elect a Chairman from amongst the Independent Directors to chair the meeting.

### **Resolution**

The Board may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a resolution in writing, in lieu of formally convening a meeting.

A written resolution in writing signed or approved by a majority of the Directors shall be as valid and effectual as if it has been passed by a meeting of the Board duly convened.

Approval of the Board on the resolution can be through email and/or other means of electronic communications. Any such resolution may consist of several documents, including facsimile or other means of communications, in like form, each signed by one or more Directors.

### **Voting**

All resolutions of the Board shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the Board shall have a second or casting vote.

A Board member is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

### **Meeting Minutes**

Minutes shall be distributed to Board members and shall be approved by the Chairman of the meeting.

## **8. BOARD COMMITTEES**

The Board has established Board Committees with delegated powers and functions to assist the Board in the discharge of its statutory and fiduciary responsibilities. There are four Board Committees, namely Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee. Their functions and roles are prescribed under their respective Terms of Reference.

### **8.1 Audit Committee**

The Audit Committee must have written terms of reference which deal with its authority and duties, and such information must be made available on the company's website.

The Chairman of the Audit Committee is not the Chairman of the Board.

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

The Audit Committee should comprise solely of Independent Directors.

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

## **8.2 Remuneration Committee**

The Board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and Senior Management.

## **8.3 Nominating Committee**

The Board must establish a Nominating Committee which comprises exclusively of Non-Executive Directors, a majority of whom must be Independent.

The Nominating Committee is chaired by an Independent Non-Executive Director or the Senior Independent Non-Executive Director, and shall:

- a. lead the succession planning and appointment of directors; and
- b. lead the annual review of Board effectiveness, ensuring that the performance of each individual Director and Chairman of the board are independently assessed.

The Nominating Committee must provide a Statement of their activities in the Company's Annual Report. The Nominating Committee oversees matters related to:

- a. nomination of new Directors;
- b. annually reviews the required mix of skills, experience and other requisite qualities of Directors; and
- c. annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director.

#### **8.4 Risk Management Committee**

The Board should establish a Risk Management Committee which comprises a majority of Independent Directors to oversee the Group's risk management framework and policies.

The Board should establish an effective risk management and internal control framework.

The Board should disclose the features and the adequacy and effectiveness of the risk management and internal control framework.

### **9. DIRECTORS' EDUCATION AND TRAINING**

A Director who is appointed for the first time, must complete the Mandatory Accreditation Programme (MAP) within four (4) months from the date of appointment as prescribed under the MMLR.

A Director must ensure that he attends such training programmes as may be prescribed by the Exchange from time to time.

All Directors shall ensure that they attend trainings to keep abreast of regulatory changes and other developments, including sustainability matters, to enable them to effectively discharge their duties.

The Board must on a continuous basis, evaluate and determine the training needs of its Directors.

### **10. BOARD EFFECTIVENESS EVALUATION**

The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the Board, Board Committees and each individual Director.

The Board via the Nominating Committee shall establish a set of criteria for the assessment of all Board Committees and individual Directors including Independent Directors.

### **11. GENERAL MEETING**

All Directors and the Chairs of Board Committees must attend General Meetings to allow the shareholders to raise questions and to provide meaningful response to questions addressed to them.

## **12. CODE OF CONDUCT AND ETHICS**

The Board should establish a Code of Conduct and Ethics for the Group, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

## **13. ANTI-CORRUPTION AND WHISTLEBLOWING POLICIES**

The Board should establish, review and together with Management implement policies and procedures on anti-corruption and whistleblowing. The anti-corruption policy and whistleblowing policies and procedures must be published on the company's website.

The Board should ensure that its whistleblowing policies set out avenues where legitimate concerns can be objectively investigated and addressed.

The oversight of the whistleblowing function is under the purview of the SINED who shall ensure that all reported violations are properly investigated. The SINED is also responsible for reviewing the effectiveness of the actions taken in response to all concerns raised.

## **14. COMMUNICATION WITH STAKEHOLDERS**

The Board shall ensure there is effective, transparent and regular communication with its stakeholders to facilitate mutual understanding of each other's objectives and expectations.

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

This Board Charter together with the Terms and Reference of the Board Committees shall be annually reviewed and published on the company's website.

## **Schedule A**

### **ISSUES AND DECISIONS RESERVED FOR THE BOARD**

The issues and decisions that require Board's approval include the following but not limited to:

**1. Strategy and management**

- 1.1. Responsibility for the overall direction of the Group.
- 1.2. Setting the Group's values and standards.
- 1.3. Oversight of the Group's operations and management.
- 1.4. Approval of the Group's long-term objectives and strategy, policies and annual budgets.
- 1.5. Any decision to cease to operate all or any material part of the Group's business.

**2. Structure and capital**

- 2.1. Changes relating to the Group's capital structure.
- 2.2. Major changes to the Group's corporate structure, management and control structure.
- 2.3. Any changes to the company's listing or its status as a public listed company.

**3. Financial Reporting and Controls**

- 3.1. Approval of preliminary announcements of interim and final results.
- 3.2. Approval of the Annual Report and Audited Accounts.
- 3.3. Approval of the dividend policy, and the approval or recommendation of any dividend pursuant to the policy.
- 3.4. Approval of any significant changes in accounting policies or practices.

**4. Risk Management and Internal Controls**

- 4.1. Responsible for a sound system of internal control and risk management including:
  - Approval of the Company/Group's risk appetite;
  - Determining the appropriate level of risk exposure for the Group; and
  - Receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objective.

**5. Contracts**

- 5.1. Approval of major capital projects, investments and contracts.

**6. Communication**

- 6.1. Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 6.2. Approval of all circulars.

- 6.3. Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.

## **7. Board membership and other appointments**

- 7.1. Board appointments, removal and changes to membership, following recommendations from the Nominating Committee.
- 7.2. Succession planning.
- 7.3. Appointment or removal of the Company Secretary.
- 7.4. Appointment, re-appointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee.

## **8. Remuneration**

- 8.1. Determining the remuneration policy for the executive directors and senior management.
- 8.2. Determining the remuneration of the non-executive directors, subject to the Company's Constitution and shareholder approval.

## **9. Corporate Governance matters**

- 9.1. Establishing board committees and approving their terms of reference.
- 9.2. Conduct an adequate annual evaluation of the performance of the Board, Committees and individual Directors.
- 9.3. Approval of substantial policies affecting the Group as a whole, and any amendment to them.

## **10. Others**

- 10.1. Commencement, defence or settlement of material litigation.
- 10.2. Any decision likely to have a material impact on the company or group from any perspective, including, but not limited to, financial, operational, strategic or reputational.
- 10.3. Any amendment to this schedule.