



KYM HOLDINGS BHD.

Board Charter

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Board Charter		

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1. PURPOSE

This Board Charter sets out the principle functions, composition, duties and responsibilities of the Board of Directors (“Board”) of KYM Holdings Bhd (“KYM” or “Company”) in accordance with good corporate governance set out in the guidelines issued by the regulatory authorities.

The Board of KYM has adopted this Board Charter, which applies to all members of the Board and executive officers/senior management of the Company.

2. BOARD MEMBERSHIP

2.1. Composition of the Board

The size of the Board is determined in accordance with the Company’s Constitution. At any one time, at least one-third (1/3) of the Board members are independent directors. The Board must comprise a majority of independent directors where the chairman of the Company is not an independent director.

The members of the Board will have an appropriate and broad range of qualifications and expertise.

The Board shall appoint a Senior Independent Non-Executive Director to whom concerns relating to the Company may be conveyed by the shareholders or stakeholders.

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

2.2. Appointments And Re-Election

The Nomination & Remuneration Committee is responsible for assessing the required mix of skills, experience and specializations of the candidates which director should bring to the Board before recommending to the Board for appointment. The Nomination & Remuneration Committee also assesses the board effectiveness, the contribution and commitment of the each Director annually.

The Company’s Constitution provides that at least one third of the Directors retire by rotation at each Annual General Meeting and all directors retire from office once at least every three (3) years and shall be eligible for re-election. The Managing Director shall also retire once in every three (3) years subject to re-election and re-appointment.

2.3. Independence of Directors

The Board considers an independent Director to be a Director who is:

- (a) is not an executive director of the Company or any related corporation of the Company;
- (b) has not been within the last 2 years and is not an officer (except as a non-executive director) of the Company or any of its related corporation;
- (c) is not a substantial shareholder of the Company or any of its related corporation;
- (d) is not a family member of any executive director, officer or major shareholder of the Company or any of its related corporation;
- (e) is not acting as a nominee or representative of any executive director or major shareholder of the Company or any of its related corporation;

- (f) has not been engaged as an adviser by the Company or its related corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company or its related corporation under such circumstances as prescribed by the Exchange;
- (g) has not engaged in any transaction with the Company or its related corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has engaged in any transaction with the Company or its related corporation under such circumstances as prescribed by the Exchange.

The Board will review the independence of each director from time to time. In determining the independence of a Director, the Board will consider the effect of a Director's business and other relationships and interests from both the Company's and the Director's perspectives.

2.4 Tenure for Independent Directors

As a general policy, the tenure for an Independent Director of the Company shall not exceed a cumulative term of 9 years.

Notwithstanding this, an Independent Director may continue to serve as a member of the Board beyond 9 years subject to the director's re-designation as a non-independent director. Subject to the approval of the Company's shareholders being obtained, the Board may recommend and justify in the event it retains an independent director who has served a cumulative term of 9 years as an independent director of the Company.

In the Board continues to retain the Independent Director after the twelfth (12th) years, the board should seek annual shareholders' approval through a two-tier voting process. Under the two-tier voting process, shareholders' votes will be cast in the following manner at the same shareholders meeting:

- Tier 1: Only the Large Shareholder(s) of the Company votes; and
- Tier 2: Shareholders other than Large Shareholder votes.

Large Shareholder means a person who –

- is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the company;
- is the largest shareholder of voting shares in the company;
- has the power to appoint or cause to be appointed a majority of the directors of the company; or
- has the power to make or cause to be made, decisions in respect of the business or administration of the company, and to give effect to such decisions or cause them to be given effect to.

The decision for the above resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than one Large Shareholder, a simple majority of votes determine the outcome of the Tier 1 vote.

The resolution is deemed successful if both Tier 1 and Tier 2 votes support the resolution.

However, the resolution is deemed to be defeated where the vote between the two tiers differs or where Tier 1 voter(s) abstained from voting.

3. BOARD ROLES

3.1 Duties and Responsibilities

The role of the Board of the Company is to provide strategic guidance to the Company and effective oversight of its management for the benefit of Shareholders and other stakeholders.

The responsibilities of the Board include the following:

- (a) Promoting together with senior management, good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
- (b) Reviewing and adopting strategic plan of the Group:
 - Review, challenge and decide on management's proposals on strategic plan for the Group, and monitors its implementation by management;
 - Ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- (c) Overseeing the conduct of business of the Group:
 - Supervise and assess management performance to determine whether the business is being properly managed;
 - Approve and monitor annual budgets and major capital expenditure
 - Review, challenge and decide on management's proposals for the Group and monitor its implementation by management;
- (d) Identifying significant risks and ensuring implementation of a proper risk management system to manage such risks.
 - Understand the principal risks of the company's business and recognize that business decisions involve the taking of appropriate risks;
 - Ensure there is a sound framework for internal controls and risk management;
 - 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;
- (e) Reviewing the adequacy and the integrity of the management information and the internal control systems of the Company and the Group.
 - Ensure the integrity of the company's financial and non-financial reporting;
- (f) Establishing executive succession plan;
 - Ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and senior management;
- (g) Developing and implementing a shareholder communication policy for the Group.
 - Ensure that the company has in place procedures to enable effective communication with stakeholders;

The Board of the Company retains ultimate authority over the day-to-day management of the Company, however, the Board delegates responsibility for the day-to-day management of the Company to the Executive Committee and/or the Chief Executive Officer (CEO).

3.2 Matters Reserved for the Board

The following are matters specifically reserved for the Board for consideration:

- (a) Approval of strategic corporate plans;
- (b) Approval of annual budgets, including major capital expenditure;
- (c) Approval of new ventures;
- (d) Approval of material acquisitions and disposals of undertakings and properties;
- (e) Approval of annual and quarterly results; and
- (f) Changes to the management and control structure within Group, including key policies, delegated authority limits.

4. BOARD STRUCTURE AND PROCEDURE

4.1 Board Committees

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

(a) Audit Committee (AC)

- The AC assists and supports the Board's responsibility of overseeing the Group's financial reporting process, internal controls, risk management, policies and procedure to assess the suitability of external auditors and the internal audit function.

(b) Nomination & Remuneration Committee (NRC)

- The NRC oversees matters related to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as undertakes the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director;
- The NRC is also primarily responsible for developing and administering procedure for setting policy on remuneration for Directors and Senior Management, recommending to the Board the remuneration packages and benefits for Executive Directors and Senior Management as well as the remuneration framework of employees of the Group to ensure that the compensation offered is appropriate with the responsibilities, in line with market practice, and based on performance.

(c) Option Committee

- The Option Committee is responsible for overseeing the implementation and administration of the Employee Share Scheme for the Eligible Employees (including Executive Directors) of KYM and its Subsidiaries (excluding Subsidiaries which are Dormant) subject to the By-Laws governing the Scheme.

The Board Committees shall operate within clearly defined terms of references. The Board may establish additional committees to assist it in carrying out its responsibilities. The Board may also delegate specified responsibilities to ad hoc committees from time to time. The Chairman of the respective Committees reports to the Board on the key matters deliberated at their respective meetings and their recommendation thereon. Such reports or minutes will be included in the Board papers.

Directors must be satisfied that the members of the Board Committees are competent and reliable and will exercise their delegated functions in accordance with Directors' duties. Membership and performance of Board Committees is assessed at least once every year by those committees and the Board.

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4.2 Board Meetings

The Board of the Company will meet at least five (5) times in a financial year in accordance with an agreed schedule and special meetings will be held as required.

All Directors will be provided with the performance and progress reports on a timely basis prior to the scheduled Board meetings. A full agenda of the meeting and all Board papers, including complicated issues or specific matters, would be distributed in advance to ensure Directors are well informed and have the opportunity to seek additional information, and are able to obtain further clarification from the Company Secretary, should such a need arise. Where necessary, the services of other senior management or external consultants will be arranged to brief and help the Directors clear any doubt or concern.

Where a Director is directly or indirectly interested in any transaction entered into by the Company, he has a duty to make an immediate declaration to the Board and he is required to abstain from deliberations and decisions of the Board on the transaction.

4.3 Access to Information and Independent Advice

All Directors, whether as a Board or in their individual capacity have full access to the Senior Management and advice of Company Secretary in relation to the information within the Group and to obtain independent professional advice in furtherance of their duties at the expense of the Company/Group, if required, so as to ensure the Directors are able to make independent and informed decisions.

If a director considers that professional advice is necessary, the director shall first obtain the approval of the Board. In the event that one or more directors seek to appoint one or more advisors, the Chairman should take steps to facilitate discussions to arrive at a consensus. Fees for the independent professional advice will be payable by the Company but proper approval of the Board will be required.

4.4 Board Review

The Board, through Nomination and Remuneration Committee, will review the effectiveness of the board, its committee and each individual director annually. The Board may engage independent experts to facilitate objective and candid board evaluations.

5. ROLES AND RESPONSIBILITIES OF THE CHAIRMAN OF THE BOARD, INDIVIDUAL DIRECTORS, CEO AND EXECUTIVE DIRECTORS

5.1 Role of the Chairman

The positions of the Chairman and Chief Executive Officer (CEO) shall be held by different individuals to ensure there is a balance of power and authority. The Chairman of the Board is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. The duties of the Chairman, amongst others, are as follows:

- (a) Leading the Board and ensuring its effectiveness of all aspects of its role;
- (b) Ensuring orderly conduct and proceedings of the Board and general meetings;
 - Setting the board agenda together with the Company Secretary and the Group CEO;
 - Ensuring that board members are provided with sufficient information and time to prepare for board meeting. The meeting materials should be circulated at least give (5) business days in advance of the board meeting;

- Leading board meetings and discussion;
 - Encouraging active participation and allowing dissenting views to be freely expressed;
- (c) Managing the interface between board and management;
- (d) Ensuring effective communication with shareholders and relevant stakeholders and that their views are communicated to the board as a whole;
- (e) Acting as a spokesperson for the Board and representing KYM Group at shareholders' meetings and on other occasions when actions are taken or statements are made in the name of the Group;
- (f) Leading the Board in establishing and monitoring good corporate governance practices in the Group;

5.2 Role of CEO and Executive Director(s)

The CEO, assisted by his fellow Executive Director(s), has overall responsibility over the business units and day-to-day management of the Company, organizational effectiveness and implementation of Board policies, strategies and decisions. The CEO may but must not necessarily be a member of the Board.

The CEO, assisted by his fellow Executive Director(s) is responsible for the following:

- Developing and implementing the business direction and strategies of the Group for consideration by the Board;
- Ensuring that Board decisions and policies set by the Board are implemented effectively;
- Ensuring efficiency and effectiveness of the day-to-day management and operation for the Group;
- ensuring that an effective management succession plan is in place to sustain continuity of operations;
- Assessing business opportunities which are of potential benefit to the Group; and
- Ensuring that the Board and Board Committees are provided with sufficient information in an accurate and timely manner regarding the Group's operations, performance, financial conditions, operating results and prospects, to enable the Board and the Board Committees to fulfill their governance obligations.

The CEO and his fellow Executive Director(s) shall act within all specific authorities delegated to them by the Board.

In discharging the above responsibilities, the CEO can delegate appropriate functions to any member of Senior Management, including Executive Director(s), who shall report to the CEO.

5.3 Role of Individual Directors

- (a) Directors are expected to comply with their legal, statutory and equitable duties and obligations when discharging their fiduciary responsibilities as Directors. Broadly these include:
- acting in good faith and in the best interests of the Group;
 - demonstrating good stewardship and acting in a professional manner with sound mind;
 - acting with reasonable care, skill and diligence subject to the business judgement rule;
 - avoiding conflicts of interest with the Group in a personal or professional capacity, including improper use of the property, information, opportunity of the Group or position as a Director or officer of the Group or engaging in business which is in competition with the Group;
 - ensuring Board information, discussions, deliberations and decisions that are not publicly known are not used for personal interest, or their employers' interest;
 - disclosure of and abstaining from voting on matters of material personal interest;

- exercising greater vigilance and professional skepticism in understanding and shaping the strategic direction of the Company and/or Group; and
 - compliance with the Companies Act, securities legislation and the Main Market Listing Requirements.
- (b) Every Director shall devote sufficient time to prepare for and attend Board and Board Committee meetings, attend Directors' continuous training programme and briefings.
- (c) Every Director must attend at least fifty (50) percent of the Board meetings held in each financial year.
- (d) Every Director must keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Group.
- (e) Every Board member 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.

5.4 Role of Senior Independent Non-Executive Director

The responsibilities of the Senior Independent Non-Executive Director shall include acting as a sounding board for the Chairman, an intermediary for other directors when necessary and the point of contact for shareholders and other stakeholders.

5.5 Company Secretary

The Company Secretary provides support to the Board and its committees in fulfilling its fiduciary duties and leadership role in shaping the corporate governance of KYM Group. The primary role and responsibilities of the Company Secretary include the following:

- Manage all board and committee meeting logistics, attend and record minutes of all board and committee meetings and facilitate board communications;
- Advise the board on its roles and responsibilities;
- Facilitate the orientation of new directors and assist in a director training and developments;
- Manage processes pertaining to the annual shareholder meeting;
- Monitor corporate governance developments and assist the board in applying governance practices to meet the board's needs and stakeholders' expectations; and
- Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

6. **DIRECTORS' REMUNERATION**

The performance of Directors is measured by the Directors' contribution and commitment to both the Board and the Company. The Executive Directors and senior management's remuneration will depend on the performance of the Group and the achievement of the goals (including quantified organizational targets, Key Performance Index and/or personal achievement) set at the beginning of each financial year, upon finalization of the ensuing years' budget.

The annual Directors fees payable to Non-Executive Directors are endorsed by the Board for approval of the shareholders of the Company at the Annual General Meeting (*as per CA and LR*). In fixing the compensation to be paid to Non-Executive Directors, the Board will consider the level of responsibilities undertaken by the particular Non-Executive Director.

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7. DIRECTORS' TRAINING AND CONTINUING EDUCATION

In addition to the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad, the Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programmes which are relevant to the Group's operations and business. The Board will assess the training needs of the Directors and ensure Directors have access to continuing education programs. This will enable Directors to effectively discharge their duties and sustain active participation in the Board deliberation.

8. STAKEHOLDERS' COMMUNICATION

The Board shall ensure effective, transparent and regular communication with the Group's stakeholders to facilitate mutual understanding of each other's objectives and expectations. Communication with stakeholders will be achieved through various means, which shall include but not limited to:

- timely dissemination of information which include distribution of annual reports and relevant circulars;
- issuance of press releases on major developments;
- press conference which is normally held after each Company AGM and/or Extraordinary General Meeting to provide the media an opportunity to receive an update from the Board on the proceedings at the meetings and to address any queries or areas of interest of the media;
- use of the Company's website at www.kym.com.my.

The AGM is the principal forum for dialogue with shareholders. The Board encourages shareholders to participate in the question and answer session at the AGM.

9. CODE OF ETHICS

All Directors shall observe the Company's Code of Ethics for Directors and the ethical values under the Code are as follows:

- a) Time commitment;
- b) Attendance and punctuality;
- c) Duty of care and diligence;
- d) Compliance to statutory and regulatory requirements;
- e) Consideration of Group and Shareholders;
- f) Participation in Meetings; and
- g) Disclosure on Conflict of Interests.

All employees shall observe the code of conduct as set out in the KYM Employee Handbook which covers all aspects of the company business operations, such as conflict of interest, bribery and corruption, confidentiality of information, gratuity and dishonest conduct.

10. REVIEW OF BOARD CHARTER

This Board Charter shall be periodically reviewed and may be amended by the Board as it deems appropriate.