

## **BOARD CHARTER**

### **1 Introduction**

The Board of Guan Chong Berhad (“GCB” or the “Company”), appointed by its shareholders, is accountable to them for the corporate governance and performance of the GCB Group of Companies (“GCB Group” or “Group”). The GCB Board of Directors (“Board”) fulfils this accountability by ensuring that GCB has an appropriate corporate governance structure aimed at creating and protecting shareholder value.

The Board derives its authority to act from the shareholders’ mandate in accordance with the Memorandum and Articles of Association of the Company and all other applicable laws, regulations, directives and guidelines.

### **2 Purpose**

This Board Charter, which is established by the Board, sets out the principal role of the Board, the demarcation of the roles, functions, responsibilities and power of the Board, various Board Committees, including the requirement of Directors in carrying out their stewardship role and in discharging their duties towards the Group as well as boardroom activities.

This Charter further defines the specific responsibilities of the Board, in order to enhance coordination and communication between the Senior Management and Board and more specifically, to clarify the accountability of both the Board and Management for the benefit of the Company and its shareholders.

### **3 The Board**

The Board should consist of qualified individuals with different backgrounds and mix of specialisations, collectively bringing considerable knowledge, judgment and experience to the Board. The Board directs the Group’s risk assessment, strategic planning, succession planning and financial and operational management to ensure that its obligations to shareholders and other stakeholders are understood and met.

The Board provides the leadership necessary to enable the Group’s business objectives to be met within the framework of internal controls described in the Statement of Corporate Governance (“Statement”).

**(i) Duties and Responsibilities of the Board**

The Board oversees the business and affairs of the Company and will assume, amongst others, the following duties and responsibilities:

- reviewing and adopting a strategic plan for the Group, including giving inputs to address the sustainability of the Group's business;
- overseeing the conduct of the Group's business, including the Group's and Management Team's performance, and evaluating whether or not its businesses are being properly managed;
- identify principal business risks faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks;
- ensuring that all candidates appointed to senior management positions are of sufficient calibre, including having in place a process to provide for the orderly succession of senior management personnel and members of the Board;
- giving inputs to the development and implementation of an investor relations programme and stakeholder communications policy; and
- reviewing the adequacy and integrity of the Group's internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

**(ii) Policy and Strategies**

The following matters shall be reserved to the Board for determination and/or approval (save to the extent that the Board resolves that determination and/or approval of any such matter shall be delegated to the Board Committees or Management):

- acquisition and disposal or closure of a business;
- declaration of dividends and approval of financial statements, including accounting policies of the Group;
- establishment of new businesses;
- annual strategic plan;
- capital investment and disposal of tangible assets from existing business to third party;
- increase or reduction by a subsidiary of its authorized or issued capital;

- financing on the Group's activities;
- any corporate restructuring not covered by the above-mentioned paragraphs; and
- the change of name of any company in the GCB Group and establishment of any new company.

### **(iii) Powers delegated to Management**

The Board shall delegate to the Chief Executive Officer, the authority and power to manage the Company and its businesses within levels of authority specified by the Board from time to time. The Chief Executive Officer may delegate aspects of his or her authority and power but remains accountable to the Board for the Company's performance and is required to report regularly to the Board on the progress being made by the Company's business units.

### **(iv) Roles of Chairman and Chief Executive Officer**

The Board will ensure that its Chairman is a non-executive member of the Board. The roles of the Chairman and the Chief Executive Officer are distinct and separated to ensure a balance of power and authority.

The Chairman is responsible for the overall leadership and efficient functioning of the Board. The key roles of the Chairman, amongst others, are as follows:

- Representing the Board to Shareholders and ensure effective communication with shareholders;
- Ensure effective operation of the Board and its committees in conformity with the highest standards of corporate governance;
- Set the agenda, style and tone of Board discussions to promote constructive debate and effective decision-making;
- Ensure that all Board committees are properly established, composed and operated;
- Ensure comprehensive induction programmes for new directors and updates for all directors as and when necessary;
- Support the Chief Executive Officer in the development of strategy and, more broadly, to support and advise the Chief Executive Officer; and
- Establish a harmonious and open relationship with the Chief Executive Officer.

The Chief Executive Officer is responsible to the Board for the day-to-day management of the Company. The Board gives direction and exercises judgement in setting the Company's objectives and overseeing their implementation. The key roles of the Chief Executive Officer, amongst others, are as follows:

- developing the strategic direction of the Group;
- ensure that the Company and/or the Group's business is properly and efficiently managed by ensuring that the executive team implements the policies and strategies adopted by the Board and its
- ensure that the objectives and standards of performance are understood by the Management and employees of the GCB Group;
- ensure that the operational planning and control systems are in place;
- monitoring performance against plans and/or budget; and
- taking remedial action, where necessary.

**(v) Duties and Responsibilities of Management**

- To manage the development activities of the GCB Group;
- To manage and administer day-to-day operations of GCB Group; and
- To be responsible for the overall operational and business management and profit performance of GCB Group.

**(vi) Board Composition and Size**

The Board consists of qualified individuals with diverse experience, background and perspective to enable them to discharge their duties and responsibilities effectively. The composition and size of the Board is such that it facilitates the decision making of the Company.

The Articles of Association of the Company provides that the number of directors shall be not less than two (2) and not more than eleven (11).

In accordance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company must ensure that at least two (2) directors or one-third (1/3) of the Board, whichever is higher are independent directors. If the number of directors of the Company is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) must be used. However, the Board must comprise a majority of Independent Directors where the Chairman of

the Board is not an Independent Director to ensure balance of power and authority on the Board.

The basis for the presence of an independent voice on the Board is to ensure that objectivity in decision-making of the Board is achieved and that no single party can dominate such decision-making in the Company. In the event that the Chairman is not an Independent Director and/or the existing Independent Directors have not formed a majority on the Board of Directors, the Board must have its justification and make the relevant disclosure on such deviation in the Annual Report.

On boardroom diversity, the Board will review the appropriate skills, experience and knowledge required of the Board members, in the context of the needs of the Group. The Board will review its composition and size the from time to time to ensure its appropriateness.

#### **4 Board Tenure**

The Articles of Association of the Company provides that all newly appointed directors shall retire and be re-elected by the shareholders at the Company's Annual General Meeting ("AGM"). Apart thereof, one-third (1/3) of the Board or if the number of directors of the Company is not three (3) or a multiple of three (3), then the number nearest 1/3 shall retire from office and be eligible for re-election at every AGM.

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, an Independent Director may continue to serve the Board upon reaching the nine (9) years limit subject to the Independent Director's re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the subject Director as Independent Director after he has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at general meeting. In justifying the decision, the Board will assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria and definition of an Independent Director as set out under Paragraph 1.01 of Listing Requirements on independence.

A Senior Independent Director is available to whom concerns of stakeholders may be conveyed. Where any Independent Director is of the view that he and/or she has an interest or relationship which is likely to impair their independence and believes that he and/or she may no longer be independent, the Director concerned is expected to advise the Chairman and/or the Board immediately and accordingly, to abstain from any deliberation on the matter in the Board meeting and from voting at the shareholders' meeting.

Each Director is required to inform the Chairman and/or the Company prior to accepting any new directorship in a public listed company.

## 5 Board Committees

The Board has established the following Board Committees to assist and advise the Board in fulfilling its duties and responsibilities:-

### i) Audit Committee (“AC”)

The duties and responsibilities of AC are as follows:

- to consider and recommend the appointment or re-appointment of the external auditors, the audit fees and questions of resignation or dismissal;
- to oversee all matters pertaining to audit including the review of the audit scope and audit plan based on the external auditors’ presentation of audit strategy and plan; and audit report with the external auditors;
- to review the financial statements of the Company/Group, and to discuss problems and reservations arising from the interim and final results, and any matters that the external auditors may wish to discuss (in the absence of the management where necessary);
- to review of the unaudited financial results announcements before recommending them for Board’s approval.
- to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary;
- to develop and review for recommendation to the Board, the Company’s policy in relation to the provision of non-audit services by the external auditors, which takes into consideration:
  - whether the skills and experience of the audit firm make it a suitable service provider for non-audit services;
  - whether there are safeguards to eliminate or reduce to an acceptable level any threat to the objectivity or independence of the external auditor in the conduct of external audit resulting from non-audit services provided by the external auditors; and
  - the nature of the non-audit services and the fee level or threshold permitted in relation to the audit fees payable to the external auditors and/or its network firms for each financial year;
- to review the non-audit services provided by the external auditors and/or its network firms to the Group for the financial year, including the nature of the

non-audit services, fee level or threshold of the non-audit services, individually and in aggregate, relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;

- in relation to the internal audit function :
  - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its works; and
  - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
  - review the appointment or re-appointment of the internal auditors, the audit fee and questions of resignation or dismissal; and
  - review the Statement on Risk Management and Internal Control to be published in the Annual Report of the Company;
- to review any related parties transactions that may arise within the Company or the Group;
- to ensure that the Group is in compliance with the regulations of the Companies Act, 1965, Listing Requirements and other legislative and reporting requirements; and
- to identify and direct any special project or investigate and to report on any issues or concerns in regards to the management of the Group.
- to commission such investigations or reviews relevant to its role as it sees fit.

## **ii) The Nomination Committee (“NC”)**

The responsibilities of NC are as follows:-

- To recommend to the Board, candidates with necessary qualities for directorships in the Company or to fill casual vacancies;
- To assess and review annually the boardroom diversity in respect of the desired mix of skills, competencies and experience of the Board, including the core competencies which non-executive directors should bring to the Board as well as the gender diversity policy as encouraged by Bursa Securities;
- To assess annually the effectiveness and performance of the Board, the Board Committees;

- To review the succession plan; and
- To ensure that orientation programme is provided for new members of the Board; and
- To review the Directors' continuing education programmes.

### **iii) The Remuneration Committee ("RC")**

The responsibilities of RC are as follows:-

- To review, assess and recommend to the Board the remuneration packages of the Executive Directors in all forms including bonuses, allowances and expenses;
- Ensure the levels of remuneration be sufficiently attractive and be able to retain Executive Directors needed to manage the Company successfully; and
- Consider and examine such other matters relating to remuneration and rewards, as the Remuneration Committee considers appropriate or as may be determined by the Board.

## **6 Board Meeting**

The Board shall schedule at least (4) four meetings in a year. However, special meetings may be convened as required and/or at the discretion of the Chairman of the Board. The quorum shall not be less than two (2) members.

The agenda, the relevant reports and Board papers shall be furnished to Directors in advance to allow the Directors sufficient time to peruse for effective discussion and decision making during meetings.

All pertinent issues discussed at Board meetings in arriving at the decisions and conclusions shall be properly recorded by the Company Secretary by way of minutes of meetings.

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

The Board and the Board Committees shall receive timely and up-to-date information and the Company Secretary, under the direction of the Chairman; ensure a balanced flow of information is disseminated for decisions to be made on an informed basis and for the effective discharge of the Board's responsibilities.

A formal and structured agenda, together with a set of Board and Board Committees papers, shall be forwarded to all Directors at least seven (7) days prior to the Board and Board Committees meetings, to enable the Board to make decisions and for Directors to be prepared to deal with matters arising from such meetings.

The Management Team and external advisers, if any shall be invited to attend Board and Board Committees meetings, as the case may be, to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda.

All Directors shall have unrestricted access to the advice and services of the Group Secretary to enable them to discharge their duties effectively.

## **8 Code of Ethics and Code of Conduct**

In line with good corporate governance practices, the Board, the Management and employees of the Group have made a commitment to create a corporate culture within the Group to operate the businesses of the Group in an ethical manner and to uphold the highest standards of professionalism and exemplary corporate conduct.

All Directors and employees are expected to behave ethically and professionally at all times in accordance to Company's Code of Ethics and Code of Conduct and thereby protect and promote the reputation and performance of the Company.

## **9 Directors' Training**

Under the Listing Requirements, the NC has assumed the onus of determining or overseeing the training needs of its Directors. In addition to the Mandatory Accreditation Programme prescribed by Bursa Securities, the Directors will continue to undertake relevant training courses offered by training organisations to stay abreast with developments in the industry, latest relevant regulatory requirements, accounting standards and corporate governance matters and to enhance their existing or acquire additional skills and knowledge in the discharge of their responsibilities.

## **10 Directors' Remuneration**

The Remuneration Committee reviews and recommends the remuneration of the Executive Directors the Board for approval based on the performance of the GCB Group. None of the Executive Directors participated in any way in determining their

individual remuneration. The Board as a whole recommends the remuneration of Non-Executive Directors in accordance with the experience and level of responsibilities undertaken, with individual Directors abstaining from decision in respect of their individual remuneration. The Board, where appropriate, recommends payment of fees to Directors for approval by shareholders at the Company's Annual General Meetings

## **11 Company Secretary/Secretaries**

The Company Secretary/Secretaries shall advise the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and their impact and implication to the Company and Directors in carrying out their fiduciary duties and responsibilities.

The Company Secretary/Secretaries shall organize and attend all Board and Board Committees meetings and ensure meetings are properly convened; accurate and proper records are maintained accordingly at the registered office of the Company, and produced for inspection, if required. The appointment and removal of the Company Secretary/Secretaries is a matter for the Board as a whole to decide.

## **12 Shareholders and Other Communications**

The Company is committed to ensure that shareholders are well-informed of all major developments affecting the state of affairs of the Company. To achieve this, the Company has implemented amongst others, the following:

- timely release of announcements and disclosures to Bursa Securities, which include quarterly financial results, material contract and any other material information that may affect the investors' decision making;
- conducts regular dialogues with financial analysts as a means of effective communication that enables the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests;
- encourage full participation of shareholders at all Annual General Meetings to ensure a high level of accountability and discussion of the Company's strategy and goals. The Company will also invite the external auditors to attend the Annual General Meetings and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report; and
- shareholders can gain access to information about the Company including the summary of the Group's investor relation activities and media releases

through the Company's website, [www.guanchong.com](http://www.guanchong.com) and Bursa Securities' website, [www.bursamalaysia.com](http://www.bursamalaysia.com).

### **13 Financial Reporting**

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of results to shareholders, as well as the review of the Group's operations in the Annual Report.

AC shall assist the Board in overseeing the Group's financial reporting process and ensure that the financial statements of the Group and the Company comply with applicable financial reporting standards in Malaysia.

### **14 Review of Board Charter**

This Board Charter as approved by the Board shall be reviewed and approve any required amendments regularly and at least, annually to ensure that new laws, regulations or relevant developments having an impact on the discharge of the Board's responsibilities are taken into account accordingly.