

KUCHAI DEVELOPMENT BERHAD
Registration No.196701000629 (7573-V)
(Incorporated in Malaysia)

BOARD CHARTER

1. INTRODUCTION

This Board Charter serves as guidance for the Board of Directors (“Board”) of Kuchai Development Berhad (“Kuchai” or “Company”) and is in line with the Company’s Constitution, which sets out the authorities, roles, functions, composition and responsibilities of the Board to assist Directors of the Company to be aware of their roles, duties and responsibilities and to effectively discharge their fiduciary duty in managing the affairs of the Company.

It provides an overview of how the Board leads the management of the Company (“Management”) through strategic guidance and effective oversight. It also sets out the delegation of authority by the Board to various committees to ensure that the Board members in performing their responsibilities on behalf of the Company would act in the best interests of all stakeholders.

Whilst this Charter serves as reference point for the activities of the Board and the various committees, it shall not be construed as an exhaustive blueprint for the Board’s operations. This Charter is subject to the provisions of the Companies Act 2016 (“CA”), the Capital Markets and Services Act 2007 (“CMSA”), the Main Market Listing Requirements (“MMLR”) issued by Bursa Malaysia Securities Berhad (“Bursa”), the Malaysian Code of Corporate Governance (“MCCG”) issued by Securities Commission and any other applicable laws or regulatory requirements.

2. BOARD STRUCTURE AND COMPOSITION

2.1 Size and Composition

The Board should consist of qualified individuals with diverse mix of skills, knowledge, experience, background and gender to ensure that there is sufficient diversity and independence in facilitating the deliberation, review and decision making.

Whilst the Constitution of the Company allows for not less than two (2) Directors and not more than six (6) Directors, the Board shall periodically review and evaluate the size of the Board through its Nominating Committee with a view to promote effective deliberation, encourage active participation of all Directors and to allow the functions of the various Board Committees.

According to Paragraph 15.02 of the MMLR, at any one time, at least two (2) or one-third (1/3), whichever is higher, of the Board members shall be Independent Directors. In the event of a vacancy in the Board resulting in non-compliance, the Company must fill the vacancy within three (3) months.

According to MCCG, at least half of the Board comprises Independent Directors. Currently, the Board comprises five (5) members made up of two (2) Executive Director and three (3) Independent Non-Executive Directors.

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 Directors that include professionals from various backgrounds, with different experiences and knowledge.

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 Company. 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.

The Board formalised 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 Board Diversity Policy is available on the Company's website at *www.kuchaidevelopment.com*.

For avoidance of doubt, any Alternate Director, if appointed shall not be counted in the determination of the number of Directors on the Board.

2.2 Nomination and Appointments

The appointment of a new director is a matter for consideration and decision by the Board with the appropriate recommendations from the Nominating Committee.

In nominating candidates for directorship, the Nominating Committee considers amongst others, the diversity in skills, experience, age, gender, cultural background, competence and time commitment of the candidates, including those who retire and offer themselves for re-election.

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 these objectives are adopted in board recruitment, board performance evaluation and succession planning processes.

The Board also recognizes the importance of fostering the participation 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.

In identifying candidates for appointment as Director, the Board is not limited to recommendations from existing Board members, Management or major shareholders. The Board may utilise variety of independent sources to identify suitably qualified candidates. This may include sourcing from a directors' registry and open advertisements or the use of independent search firms.

2.3 Re-election and Re-appointments

In accordance with the Constitution of the Company, at the first Annual General Meeting of the Company ("AGM"), all Directors shall retire from office, and at the AGM in every subsequent year, an election of Directors shall take place and one-third (1/3) of the Directors for the time being, or, if their number is not three (3), or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election provided always that all Directors shall retire from office once at least every three (3) years but shall be eligible for re-election.

An election of Directors shall take place every year and a retiring Director shall be eligible for re-election. The Directors to retire in each year shall be those who have been longest in office since their last election but as between persons who become Directors on the same day those who retire shall (unless they otherwise agree among themselves) be determined by lot.

In recommending the annual re-election or re-appointment, the Nominating Committee shall review and consider the tenure of each director and the Nominating Committee should be satisfied with the evaluation of the director's performance and contribution to the Board.

2.4 Independent Directors

An Independent Director must fulfill the provisions and definition of Independent Director under the Listing Requirements at all times and must declare their independence to the Board annually.

The Independent Directors shall be independent of management and free of any significant business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement or the ability to act in the best interests of the Company.

The Board assesses the independence of its 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. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director.

If the Board intends to retain an Independent Director beyond nine (9) years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

2.5 Time Commitment and Accepting New Directorship

Directors are expected to have such expertise to qualify them to make positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Company. 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 compromised in any manner.

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

Any Director must not hold more than five (5) directorships in listed companies as prescribed by the MMLR.

2.6 Board Evaluation and Assessment

The Board reviews and evaluates individual directors' performance, its own performance and the performance of its committees annually based on the report of the Nominating Committee. The Board, together with the Nominating Committee, shall develop an actionable improvement program based on the findings of the assessment.

3. ROLES AND RESPONSIBILITIES

3.1 Roles of the Board

The Board is collectively responsible for the stewardship of the business of Company with a view to enhance long term shareholder value and investor interests while considering the interest of other stakeholders and maintaining high standards of transparency, accountability and integrity.

Directors, as stewards of the Company, shall exercise reasonable care and due diligence for a proper purpose and good faith, in the best interests of the Company. Directors are required to keep abreast of their responsibilities as directors and of the conduct, business activities and development of the Company.

3.2 Principal Responsibilities of the Board

Strategy

- (a) Set the values, standards, objectives and strategic functions of the Company.
- (b) Together with Management, promote good corporate governance within the Company which reinforces ethical, prudent and professional behaviour.
- (c) Review, challenge and decide on Management's proposals for the Company and monitor its implementation by the Management.
- (d) Ensure the Company's strategic plan supports long-term value creation and included strategies on economic, environmental and social considerations.

Risk Management, Compliance and Internal Controls

(a) Risk Management

- Set the risk appetite within which the Board expects Management to operate and ensure that there is a sound risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks faced by the Company.
- Understand the principal risks of the Company's business and recognise that business decisions involve the appropriate risks.

(b) Compliance

- Review, approve and monitor compliance with corporate policies.
- Oversee, review and monitor the operation of the Company's procedures to ensure compliance with relevant legislation.

- Being aware of and where appropriate, review any litigation, actions, transactions, issues and reports to external/third parties which impact the Company and which may attract public interest.

(c) Internal Controls

- Oversee, review and monitor the operation, adequacy and effectiveness of the Company's reporting systems and overall framework of internal controls established by Management including operational, accounting and financial reporting controls.

Corporate Governance

(a) Delegation of authority

Review, approve and where appropriate, revise the delegations of authority from the Board to Management. The Executive Directors runs the day-to-day responsibilities as delegated by the Board involving but not limited to the following: -

- 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 the Directors may have.

(b) Board Committees

Oversee the work of the Board Committees including determining the need for specific Committees, reviewing the need for those Committees on an ongoing basis, receiving reports from, reviewing the work of and considering the recommendations made by each Committee.

(c) Information needs

Dictating information needs to Management and ensuring it is fully addressed on an ongoing basis.

(d) Management Succession Planning

Ensure that appropriate plans are in place for the succession of senior management.

(e) Sustainability

- The Board ensure sufficient understanding and knowledge of sustainability issue that are relevant to the Company and its business, to discharge its role effectively.
- As and when necessary, the Board together with Nominating Committee shall consider whether a change in its composition or skills matrix is required to strengthen board leadership and oversight of sustainability issues.

(f) Other Matters

Attending to corporate governance matters and to any other matters identified as reserved to the Board.

Reporting

- Ensure the integrity of the Company's financial and non-financial reporting.
- Ensure the statutory accounts and quarterly announcements of the Company are fairly stated and in accordance with relevant regulations.
- Review and monitor all related party transactions and recurrent related party transactions to identify whether consideration should be given to seek shareholders' approval and ensure compliance with MMLR.

3.3. Matters Reserved for the Board

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.

While the Board may delegate any authority to Board Committees or Management, the Board shall establish written procedures determining the issues to be decided by the Board and issues to be delegated to Board Committees or Management.

Being responsible for setting the overall strategy of the Company and making decisions on major operational and financial matters, the Board reserves the following matters for Board deliberation and/or approval: -

- Strategies, plans and estimates
- Annual and quarterly reports
- Establishment of Board Committees and approval of terms of reference of Board committees
- Capital allocation decisions
- Major acquisitions and divestments
- Major transactions
- New business segments
- Appointment, removal and re-appointment of Directors based on recommendations by the Nominating Committee
- Appointment and change in Company Secretaries
- Remuneration of Executive Directors, Non-executive Directors and key Senior Management

4. ROLES AND PRINCIPAL RESPONSIBILITIES OF CHAIRMAN, EXECUTIVE DIRECTORS AND COMPANY SECRETARIES

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 position of Chairman and Executive Deputy Chairman are held by two (2) different individuals.

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 ensure balance of power and authority, such that no one individual has unfettered powers of decision making;
- 4) To facilitate the effective contribution of all Directors at Board meetings;
- 5) Lead the Board in establishing and monitoring good corporate governance practices in the Company;
- 6) To promote constructive and respectful relations between Directors, and between the Board and Management; and
- 7) To ensure effective communication between Board, Senior Management and Shareholders.

Executive Directors

The key responsibilities of the Executive Directors are to: -

- Oversee the day-to-day operations of the company and to ensure smooth and effective running of the Company;
- Together with other departments, to ensure that the business affairs of the Company are carried out in an ethical manner and in compliance with relevant laws and regulations;
- Conduit between the Board and Management in ensuring the success of management functions; and
- Implement the policies, strategies and decisions adopted by the Board.

Company Secretaries

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

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

- 1) Manage all board and committee meetings by attending and recording minutes of all board and committee meetings and facilitate board communications;
- 2) Advise the board on its roles and responsibilities;
- 3) Advise the board on corporate disclosures and compliance with Company and securities regulations and listing requirements;
- 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;
- 7) Manage processes pertaining to general meetings, and
- 8) Assist in the induction of new directors, and continuously update the Board on changes to listing rules, other related legislations and regulations.

The Company Secretaries 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, or in the absence of Chairman, it should be signed by the Chairman of the Meeting accordingly. The Company's statutory records are maintained accordingly at the Company's registered office.

5. ROLES OF INDIVIDUAL DIRECTORS

Directors are expected to comply with the legal, statutory and equitable duties and regulation when discharging their responsibilities as Directors.

The roles of individual Directors broadly include the following: -

- (a) acting in good faith and in the best interests of the Company as a whole and for proper purpose.
- (b) acting with care and diligence of a reasonable person subject to business judgement rule.
- (c) avoiding conflicts of interest with the Company in a personal or professional capacity.
- (d) refraining from making improper use of information gained through the position of director and from taking improper advantage of the position of director.
- (e) disclosure of and abstaining from voting on matters of personal interest.
- (f) compliance with company and securities laws and listing requirements.

Directors will keep all Board information, discussions, deliberations and decisions that are not publicly known confidential and not use information gained through the Board for their interest, or their employer's interest.

6. ROLES OF INDEPENDENT DIRECTORS

The roles of Independent Directors broadly include the following: -

- (a) ensure there is proper check and balance of the Board by providing unbiased and independent views in Board deliberations and decision making of the Board, taking into consideration the interest of all shareholders, not only the interests of a particular function or group, but also the minority shareholders.
- (b) improve corporate credibility and governance standards, and make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.
- (c) make independent assessment of information, reports or statement when the interests of Management, Company and/or shareholders diverge, such as executive performance and remuneration, related party transactions and audit matters.

7. BOARD COMMITTEES

The Board may from time to time establish appropriate Committees to assist the Board in discharging its responsibilities. Where a Committee is formed, specific Terms of Reference of the Committee shall be established in writing to cover matters such as the objective, composition, authority and responsibility of the Committees. The Terms of Reference shall be approved by the Board as a whole and shall be assessed and reviewed as and when necessary to ensure the Terms of Reference is in accordance with the MCCG and MMLR.

While the Board delegates its authority to Board Committees or the Management, the Board will not delegate any of its decision-making authority to those Committees.

The Board has established the following Committees: -

- Nominating Committee;
- Remuneration Committee;
- Audit Committee; and
- Risk Management Committee.

The Chairman of the respective Committees shall report and update the Board on the significant issues and concerns discussed and where appropriate, make the necessary recommendations to the Board. The Terms of Reference of the Committees are available on the Company's website.

8. BOARD MEETING

8.1 Frequency

Board meeting shall be conducted at least on a quarterly basis or at frequently agreed as the Board may decide from time to time, with additional meetings to be convened as and when necessary.

8.2 Notice, Agenda and Meeting Materials

The notice of Board meeting and accompanying agenda and other non-financial related materials shall be circulated at least five (5) business days in advance of the Board meeting to ensure Directors have sufficient information and time to review and prepare, facilitating meaningful deliberation during each meeting. A meeting may, with the consent of all Directors, be convened with shorter notice.

8.3 Quorum

The quorum for a Board meeting shall be a minimum of two (2) Directors. In the absence of the Chairman, the Executive Deputy Chairman shall preside the meeting. If neither the Chairman nor Executive Deputy Chairman is not present within fifteen (15) minutes after the time to hold the meeting, the Directors present may choose one of their number to be the Chairman of the Meeting.

8.4 Attendance Requirement

All Directors must meet at least 50% attendance requirement imposed by MMLR. Management who are not directors may be invited to attend and speak at Board meeting on matters relating to their areas of responsibility. The Board may also invite external parties such as auditors and consultants to attend as and when the need arises.

8.5 Mode of Meeting

Any Director may participate at a meeting by way instantaneous telecommunication device whereby all persons participating in the meeting are able to hear each other and be heard for the entire duration of the meeting in which event such Director shall be deemed to be physically present at the meeting.

A Director participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting.

8.6 Directors' Circular Resolution

In the event issues requiring Board's decision arises between meetings, such issues shall be resolved through circular resolution. Such circular resolution shall be valid and effectual if it is signed or approved by letter, facsimile, telegram, telex, cable or other forms of electronic communications by the majority of the Directors and who are sufficient to form a quorum and such resolution including any concerns raised shall be tabled at the next immediate Board meeting for formal record keeping.

8.7 Voting

All resolutions of the Board shall be adopted by simple majority vote, each Director having one vote. In case of equality of votes, the Chairman shall have a second or casting vote except where only two (2) Directors form a quorum present or at which only two (2) Directors are competent to vote on the question at issue.

Directors are required to inform the Board on conflicts or potential conflict of interest that may have in relation to a particular subject matter or business transaction. These Directors shall abstain from deliberation and determination of those matters.

8.8 Minutes

The minutes of each meeting shall be distributed to all Directors within reasonable timeframe and all Directors shall ensure the minutes of meetings accurately reflect the deliberations and decisions of the Board, including any concerns raised by individual directors or dissenting views expressed. Any Director who abstained from voting or deliberation on a particular matter shall be recorded in the minutes.

All discussion and records of discussions shall remain confidential unless otherwise specified by the Board or where disclosure is required by the law. Subject to legal or regulatory requirements, the Board will decide on the manner and timing of the publication of its decision.

9. REMUNERATION

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

The Board will review for approval, recommendations from the Remuneration Committee on the remuneration packages of Executive Directors and key Senior Management and Directors' fees for shareholders' approval at the Annual General Meeting ("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, 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.

10. CONTINUING EDUCATION PROGRAMME AND TRAINING

All Directors, including newly appointed Directors are required to attend the Mandatory Accreditation Programme as prescribed by Bursa.

In addition to the mandatory programme, the Board with assistance of the Nominating Committee, shall evaluate and determine the training needs of its Directors to ensure the Directors attend relevant training courses or seminars at periodic intervals to keep themselves updated on developments pertaining to the oversight function of directors. Through continuing education programme, the Directors are required to update their knowledge and skills to sustain their active participation in Board deliberations and effectively discharge their duties.

The Board shall disclose in the Company's Annual Report of the training programmes attended by Directors during the financial year. In exceptional circumstances, where any Director has not attended any training during the financial year, valid justifications for the non-attendance of such director shall be disclosed.

11. INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Board recognizes the importance of accurate and timely dissemination of information to shareholders on all material business affecting the Company. The Board is committed to ensure there is effective, transparent and regular communication between the Company and shareholders to facilitate mutual understanding of each other's objectives and expectations.

The Board has established, amongst others, the following communication channels with its shareholders: -

- (a) AGM
- (b) Extraordinary General Meeting ("EGM") held as and when required.
- (c) Annual Report; and
- (d) Company's website.

All the Board members shall attend the AGM and EGM and the Chairman of the various Board Committees shall be available to facilitate the answering of questions from shareholders.

All corporate disclosures take into account the prevailing legislative restrictions and requirements as well as the investors' needs for timely information such as financial performance results and material developments.

The Company maintains a website, which provides shareholders and the public in general access to information about the Company which includes, corporate information, financial information, announcements and investor relations.

The AGM is the principal forum for dialogue with shareholders. Shareholders are notified of the meeting and provided with either a hardcopy or access to the electronic copy of the Company's Annual Report at least twenty-one (21) days prior date of the 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 Company'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 Company through electronic mail at enquiry@kuchaidevelopment.com.

12. CODE OF CONDUCT AND ETHICS

The Board is committed to promoting good business conduct and maintaining a healthy corporate culture that promotes integrity, transparency and fairness. All Directors and employees are expected to behave ethically and professionally at all times to protect and promote the reputation and performance of the Company.

The Board shall establish the tone and standards of the Company through the Code of Conduct & Business Ethics ("Code") which articulates acceptable practices and guide the behavior of Directors, Management and employees.

The Code is to be observed by all Directors and employees of the Company. 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.

13. WHISTLEBLOWING POLICY AND GUIDELINES

The Board has in place a whistleblowing policy to a structured mechanism for its employees, directors and associates (“reporting individual”) to raise or report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Company and to provide reassurance that they shall be protected from reprisals or victimisation for whistleblowing in good faith.

The whistleblowing policy is available on the Company’s website.

14. ANTI-BRIBERY AND ANTI-CORRUPTION POLICY AND GUIDELINES

The Anti-Bribery & Anti-Corruption (“ABAC”) Policy & Guidelines of the Company defines the policies and procedures for the Company. The ABAC is applicable to the following stakeholders: -

- (a) All Directors;
- (b) All employees of the Company; and
- (c) Suppliers, sub-contractors, consultants, agents, representatives and others performing work or services for and on behalf of the Company.

It is the intention of the Board to ensure that these procedures serve as their commitment to prohibit bribery and corruption in the business conduct within the Company.

The ABAC policy is available on the Company’s website.

15. REVIEW OF THE BOARD CHARTER

The Board will periodically review this Charter and may be amended from time to time to ensure its relevance, effectiveness and consistent with the Company’s objective, its practices and current laws.

This Board Charter was updated and approved by the Board on 27 August 2021.