



(Company No. 11817-V)

BOARD CHARTER

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1. INTRODUCTION

The Board of Directors ("Board") of Kumpulan Fima Berhad ("KFIMA" or "the Company") recognises Corporate Governance as being vital and important to the success of KFIMA and its Group of Companies ("Group") businesses.

The Board is the focal point of the Company's Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the Company and is also responsible to oversee the Company's corporate governance framework. All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

This Board Charter shall constitute and form an integral part of each Director's duties and responsibilities.

2. OBJECTIVES

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all the Board's dealings in respect, and on behalf of the Company.

This Board Charter is not an "all inclusive" document and should be read as a broad expression of principles.

3. COMPOSITION AND BOARD BALANCE

3.1 Size and Composition

- i. The Board consists of qualified individuals with a complementary blend of expertise drawn from a wide range of professional, business and public office backgrounds and perspective to enable them to discharge their duties and responsibilities effectively.
- ii. The Constitution of the Company provides for a minimum of 2 Directors and maximum 15 Directors.
- iii. The Company must ensure that at least 2 Directors or 1/3 of the Board of Directors, whichever is the higher, are Independent Directors and if the number of Directors is not 3 or a multiple of 3, then the number nearest 1/3 must be used as defined in the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Bursa LR").
- iv. The Board has appointed a Senior Independent Director to whom concerns may be conveyed. The Senior Independent Director is also responsible to receive reports from employees or third parties for the purpose of whistleblowing in accordance with the Group's Whistleblowing Policy and Procedures.
- v. The Board shall at all times promote and welcome diversity and gender mix in its composition and give due recognition to the financial, technical and business experience of the Directors.
- vi. The composition and size of the Board are reviewed from time to time to ensure its appropriateness.

3.2 Nomination and Appointments

- i. The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination and Remuneration Committee. The Nomination and Remuneration Committee will consider the required mix of skills, experience and diversity, including gender, where appropriate, which the Director bring to the Board.
- ii. The Company Secretary shall have the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.
- iii. The Director who is appointed for the first time as a Director of listed company must complete the Mandatory Accreditation Programme within the time set as defined in the Bursa LR.

3.3 Re-election of Directors

The Constitution of the Company provides that all Directors are subject to retirement and re-election by shareholders at their first opportunity after their appointment, and are subject to re-election at least once every 3 years.

3.4 Independence of Directors

- i. An Independent Director is independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement and who otherwise meet the definition of independence as prescribed by the Bursa LR.
- ii. Every Independent Director shall provide a written declaration to the Nomination and Remuneration Committee and the Board confirming that he/she continue to fulfil the criteria of independence as set out in the Bursa LR during the annual assessment carried out by the Company.
- iii. The Board, together with the Nomination and Remuneration Committee shall undertake an assessment director independence of Independent Director annually and as and when new interest or relationship develops.

3.5 New Directorship

- i. In any given circumstances, the Directors are expected to serve in no more than 5 directorships in public listed companies, as defined in the Bursa LR.
- ii. The Directors shall notify the Company if he/she has any new directorship or significant commitments outside the Company.

4. **ROLES AND RESPONSIBILITIES**

4.1 Board Duties and Responsibilities

- i. The Board is collectively responsible to the Company's shareholders for the long-term success of the Company. It meets regularly to set the overall strategic direction of the Company, review its operating and financial performance and to provide oversight to ensure that the Company is effectively controlled and resourced.
- ii. The Board assumes, amongst others, the following duties and responsibilities:-

- (1) reviewing and adopting the overall strategic plans and programmes for the Company and its subsidiaries (herein referred to as "the Group").
 - (2) overseeing and evaluating the conduct and performance of the Group's businesses, including its control and accountability systems.
 - (3) identifying and managing principal risks affecting the Group.
 - (4) reviewing the adequacy of the Group's internal control policy.
 - (5) providing input into and final approval of the annual operating budget.
 - (6) approving major capital expenditure, capital management and acquisitions/divestitures.
 - (7) reviewing and monitoring systems of risk management and internal control, standard operating procedures, terms of reference, continuous disclosure, legal compliance and other significant corporate policies.
 - (8) ensuring that appropriate plans are in place in respect of the succession plan of the Group.
- iii. The Board has adopted a schedule of matters specifically reserved for its approval which include among others:-
- (1) annual financial statements and quarterly financial results prior to release to Bursa Malaysia;
 - (2) the Company's strategic and operating plans;
 - (3) annual budget;
 - (4) appointment to the Board;
 - (5) dividend recommendation;
 - (6) larger capital expenditure, restructuring, acquisitions and disposals of significant events and investment proposals;
 - (7) the overall system of internal control and risk management; and
 - (8) related party transaction.

4.2 Powers Delegated to Management

- i. The Board shall delegate to the Group Managing Director ("Group MD"), the authority and power to manage the Company and its businesses within levels of authority specified by the Board from time to time.
- ii. The Group MD 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.

4.3 Internal Controls and Risk Management

- i. The Board oversees, reviews and monitors the operation, adequacy and effectiveness of Group's system of internal control.
- ii. The Board defines the risk appetite, approving and overseeing the operation of the Group's Risk Management framework, assessing its effectiveness and reviewing any major/significant risk facing the Group.

- iii. The Group has a well-resourced internal audit function, which critically reviews all aspects of the Group's activities and its internal controls. Comprehensive audits of the practices, procedures, expenditures and internal controls of all business and support units and subsidiaries are undertaken on a regular basis. The Group Internal Audit has direct access to the Board through the Chairman of the Audit Committee.

4.4 Role of Individual Directors

- i. Directors are expected to comply with their legal, statutory and equitable duties and obligations when discharging their responsibilities as Directors. Broadly, these include:-
 - (1) Acting in good faith and in the best interests of the Company as a whole;
 - (2) Acting with care and diligence and for proper purpose;
 - (3) Avoiding conflicts of interest with the Company in a personal or professional capacity; and
 - (4) Refraining from making improper use of information gained through the position of director from taking improper advantage of the position of director.
- ii. 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 employers' interest.

4.5 Conflict of Interest

The Companies Act, 2016 and Bursa LR subject the Directors to disclosure requirements. Directors shall comply with the Companies Act, 2016 in connection with disclosure of shareholding and interests in the Group and interest in any contract or proposed contract with the Company, which include the nature, character and extent of any office or possession of any property, whether directly or indirectly duties or interests that might be created in conflict with his/her duty or interest as a Director of the Company. General notice given by a Director is tabled at the Board Meetings and the declarations made are recorded in the minutes of the Board Meeting, in line with the Companies Act, 2016.

4.6 Ethics and Compliance

- i. The Board of Directors observes the following Code of Ethics:-
 - (1) The Companies Act, 2016; and
 - (2) The Code of Ethics for Company Directors issued by the Companies Commission of Malaysia.
- ii. The Code of Ethics provide guidance for proper standards of conduct and sound and prudent business practices as well as standard of ethical behaviour for Directors, based on principles of integrity, responsibility, sincerity and corporate social responsibility.
- iii. Duty of Care and Diligence

All Directors shall at all times exercise his/her powers for a proper purpose and in good faith in the best interest of the Company. He/she shall exercise reasonable care, skill and diligence with the knowledge, skill and experience which may reasonably be expected of a Director having the same responsibilities; and any additional knowledge, skill and experience which he/she in fact has.

iv. Business Judgment

A Director who makes a business judgment is deemed to meet the requirements of the duty as aforesaid and the equivalent duties under the common law and in equity if he/she:

- (1) Makes the business judgment in good faith for a proper purpose;
- (2) Does not have a material personal interest in the subject matter of the business judgment;
- (3) Does not have a material personal interest in the subject matter of the business judgment; and
- (4) Reasonably believes that the business judgment is in the best interest of the Company.

v. Reliance on Information Provided by Others

A Director in exercising his/her duties may merely rely on information, professional or expert advice, opinions, reports or statements including financial statements and other financial data, prepared, presented or made by:

- (1) Any officer of the Group whom the Director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- (2) Any other person retained by the Group as to matters involving skills or expertise in relation to matters that the Director believes on reasonable grounds to be within the person's professional or expert competence;
- (3) Another Director in relation to matters within the Director's authority; or
- (4) Any committee to the Board of Directors of which the Director did not serve in relation to matters within the committee's authority.

A Director's reliance on information provided by others is deemed to be made on reasonable grounds if it was made in good faith; and after making an independent assessment of the information or advice, opinions, reports or statements, including financial statements and other financial data, having regard to the director's knowledge of the Group and the complexity of the structure and operation of the Group.

4.7 Separation of Position of Chairman and Group MD

To ensure balance of authority, increased accountability and a greater capacity for independent decision-making, the roles of Chairman and Group MD are distinct and separate with a clear division of responsibilities between the Chairman and the Group MD, so that no individual or group dominates the decision-making process.

4.8 Role of Chairman

- i. The Chairman leads the Board and is responsible for the effective performance of the Board.
- ii. The Chairman of the Board shall be a Non-Executive Member of the Board.
- iii. The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for:-

- (1) Leading the Board in setting the values and standards of the Company.
 - (2) Maintaining a relationship of trust with and between the Executive and Non-Executive Directors.
 - (3) Ensuring the provision of accurate, timely and clear information to Directors.
 - (4) Ensuring effective communication with shareholders and relevant stakeholders.
 - (5) Arranging regular evaluation of the performance of the Board, its Committees and individual Directors.
 - (6) Facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations be maintained between Executive and Non-Executive Directors.
 - (7) Facilitating the on-going development of all Directors.
- iv. The Chairman, in consultation with the Group MD and the Company Secretary, sets the agenda for Board meetings and ensures that all relevant issues are on the agenda.
- v. The Chairman ensures orderly conduct and proceedings of the Board and general meetings and is responsible for managing the business of the Board to ensure that:-
- (1) All Directors are properly briefed on issues arising at Board meetings.
 - (2) Sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings beforehand to enable thorough preparation for the Board discussion.
 - (3) The issues discussed are forward looking and concentrates on strategy.
- vi. The Chairman ensures that every Board resolution is put to vote.
- vii. The Chairman ensures that Executive Director look beyond their executive functions and accepts their full share of responsibilities on governance.
- viii. Should the Chairman be absent from a meeting, the members of the Board present at the meeting, may choose one of their number to chair the said meeting.

4.9 Group Managing Director ("Group MD")

- i. The Directors may from time to time appoint a Group MD who shall also be a member of the Board of Directors. Any appointment of Group MD shall be for the period of not exceeding 3 years subject to re-appointment and on such terms as the Directors think fit.
- ii. The Group MD is primarily accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Group.
- iii. The Group MD is responsible for the development and implementation of the strategies for the Group and setting the overall strategic policy and direction

of the Group's business operations based on effective risk management controls.

- iv. The Group MD ensures that the financial management practice is performed at the highest level of integrity and transparency and that the business and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations.
- v. The Group MD provides effective leadership to the Group and is responsible for ensuring high management competency and that an effective management succession plan is in place to sustain continuity of operations.
- vi. The Group MD is the conduit between the Board and the Management in ensuring the success of the Company's governance and management functions.
- vii. The Group MD implements the policies, strategies and decisions adopted by the Board. All Board authorities conferred on the Management is delegated through the Group MD and this will be considered as the Group MD's authority and accountability as far as the Board is concerned.

4.10 Role of Committees

- i. The Board may establish Committees including ad-hoc committees as considered necessary to assist in carrying out its functions. The Board will determine and review as appropriate the terms of reference and membership of its Committees. The standing Committees of the Board are:-
 - Audit Committee
 - Sub-Committee: Risk Management Committee
 - Nomination and Remuneration Committee
- ii. The Committees operate within clearly defined roles and responsibilities as set out in their respective terms of reference. All deliberation, findings and recommendation made by these Committees will be brought to the attention of the Board who is collectively responsible for the Group's business, strategy, risk management, operational and financial performance.

4.10.1 Audit Committee

The Audit Committee has been established to assist the Board in fulfilling its oversight responsibilities. The Audit Committee shall review and ensure that the process of assessing risk, control and governance, including operational and financial control, business ethics and compliance, are properly managed and monitored.

4.10.2 Risk Management Committee

- i. The Risk Management Committee ("RMC") has been established as a sub-committee of the Audit Committee to support the Audit Committee in providing oversight, direction and counsel to the Group's risk management process.
- ii. The RMC's reports include an assessment of the degree of risk, an evaluation of the effectiveness of the controls in place and the requirements for future controls. The approved divisional risk profile will be adopted after presentation to RMC bi-annually.

4.10.3 Nomination and Remuneration Committee

- i. The Nomination and Remuneration Committee has been established to assist the Board on the following:-

A. Nomination Function

- (1) Review contribution of individual Directors and effectiveness of the Board as a whole with its mix of skills and experience and other qualities, including core competencies which each Director shall bring to the Board.
- (2) Make recommendations to the Board on candidates for Key Management Personnel and directorship on the Board of the Company and its Group subsidiaries.
- (3) Recommend suitable orientation, educational and training programmes to continuously train and equip both existing and new Directors.
- (4) Examine the size of the Board to determine its effectiveness.
- (5) Review the adequacy of the size, structure and composition of Board Committees at least once every three (3) years or when the Committee thinks fit and recommends to the Board any changes thereto.
- (6) Establish processes for the review of the performance of individual Directors, Board Committees and the Board as a whole and implementation of such processes.
- (7) Carry out annual assessments on the independence of the Independent Directors and determine whether they are independent taking into account the requirements of Bursa LR and whether there are circumstances which can interfere with the Directors' independence of judgement.
- (8) Make recommendations to the Board on the re-election of Directors who are due to retire by rotation and eligible for re-election in accordance with the Company's Constitution and Bursa LR, having due regard to the results of any formal performance evaluation and ability to continue to contribute effectively to the Board.
- (9) Oversee the appointment, succession planning of the Executive/Group MD.
- (10) Review and consider the recommendations of the Executive/Group MD in the appointment, promotion and succession planning of Key Management Personnel.
- (11) Review and recommend to the Board on matters relating to the confirmation in office including the suspension or termination of service of the Executive/Group MD and Key Management Personnel and any other person the Board determines subject to the provision of the laws and service contract.
- (12) Identify and recommend to the Board suitable candidates for appointment to the Board as Senior Independent Director and Company Secretary.

B. Remuneration Function

- (1) Make recommendations to the Board on the remuneration framework for the Group MD and Directors of subsidiaries and determining the remuneration arrangements for the Group MD and Directors of subsidiaries.
- (2) Recommend to the Board changes in remuneration, if required or in the event the present structure and remuneration policy are deemed inappropriate.
- (3) Remuneration of the Non-Executive Directors of the Company shall be determined by the Board collectively, where individual concerned shall abstain from discussion of their own remuneration.
- (4) Oversee the performance review process (both annual and ad-hoc) and making recommendations to the Board on the remuneration package of Key Management Personnel of the Group. This shall include, without limitation, basic salary, share options, benefits-in-kind, incentive payments and any other compensation payments.

5. MEETINGS

5.1 Board Meetings

- i. The Board shall meet at regularly scheduled intervals throughout the year. Additional meetings may be convened as and when required. Decisions can also be taken by way of Directors' Circular Resolutions between the scheduled meetings, where appropriate.
- ii. The quorum necessary for the transaction of business may be fixed by the Directors and unless so fixed, shall be 2.
- iii. Senior management shall be invited to join in Board and Board Committees meetings to provide explanation or engage in dialogue with Board members on agenda items being discussed in order for the Board and/or Board Committees to dissenting views made at Board meetings along with clear actions to be taken by responsible parties.
- iv. A full agenda and comprehensive Board papers are circulated to all Directors in advance of each Board meeting.
- v. Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.

5.2 General Meetings

- i. The Directors shall convene an Annual General Meeting ("AGM") to be held once at least in every year at such time, not being more than 15 months after the holding of the last preceding AGM.
- ii. Every general meeting of the Company other than the AGM shall be called Extraordinary General Meeting.
- iii. The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all Members at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an AGM. Any notice of a meeting called to

consider special business shall be accompanied by a statement regarding the effect of any proposed resolution.

- iv. The quorum for the meeting shall be 2 members present in person. Members shall include a person attending as a proxy or as representing a corporation which is a member.

6. PERFORMANCE

6.1 Board and Board Committees Evaluation

- i. The Board recognises the importance of assessing the effectiveness of the Board as a whole and its Committees. The Board reviews and evaluates the performance of the Board as a whole and its Committees on an annual basis.
- ii. The Company Secretary shall distribute the evaluation form to the Board and Board Committees for completion on an annual basis. The information obtained or disclosed during the evaluation process shall be kept confidential and will not be used or disclosed except as defined herein.
- iii. The Nomination and Remuneration Committee shall oversee the implementation of the evaluation process and at the conclusion of this process, the Chairman of the Nomination and Remuneration Committee shall report the outcome to the Board of Directors identifying the issues and making appropriate recommendations. The Board of Directors shall then deliberate on the report and decide/agree on any action plans, where relevant.
- iv. As part of the Board self-evaluation process, an annual written confirmation shall be obtained from each of the Company's Independent Non-Executive Directors stating to the effect that each of them continues to fulfill the definition of independence as set out in the Bursa LR.

6.2 Directors' Training and Development

In addition to the mandatory programmes as required by Bursa Malaysia Securities Berhad, the Board of Directors must on a continuous basis, evaluate and determine the training needs of its Board members in order to further enhance the Board business acumen and professionalism in discharging their duties to the Company. The Board shall disclose in the Annual Report the trainings attended by the Directors and to provide reasons for the non-attendance for each Director.

7. REMUNERATION POLICIES

- i. The Company shall provide a fair and reasonable, competitive, remuneration for its Group MD to ensure that the Company attracts and retains high calibre Group MD who has the skills, experience and knowledge to increase entity value to the benefit of all shareholders.
- ii. The remuneration policy for Group MD is based on the achievements and contribution measured against his Key Performance Indicators. The Board shall determine the remuneration of Group MD taking into consideration the recommendations of the Nomination and Remuneration Committee.
- iii. The aggregate amount of Directors' fees and any benefits to be paid to Non-Executive Directors is subject to the approval of the shareholders at a General Meeting.
- iv. There is adequate disclosure in the Annual Report with a note on the remuneration and any benefits of Directors.

8. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

- i. Directors may access such information and seek such independent advice as they individually or collectively consider necessary to fulfil their responsibilities and permit independent judgement in decision making.
- ii. Directors will be entitled to:-
 - (1) Access members of the senior management via the Group MD at any time to request relevant and additional information or seek explanations.
 - (2) Have access to internal and external auditors, without management present to seek explanations or additional information.
 - (3) Seek independent professional advice with the Chairman's prior consent, which will not be unreasonably withheld or delayed, and which will be at the Company's expense.

9. FINANCIAL REPORTING

- i. The Company aims to present clear and balanced assessment of the Company's financial position and prospects for its financial statements and quarterly announcements to the shareholders, including other price sensitive public reports submitted to regulators.
- ii. The Board will ensure that the financial statements are prepared in accordance with the Companies Act, 2016 and the applicable approved accounting standards so as to present a true and fair view of the state of affairs of the Group.

10. REVIEW OF BOARD CHARTER

This Board Charter has been adopted by the Board on 30 March 2017 and is made available for reference on the Company's website, www.fima.com.my. The Board will review this Charter from time to time and make the necessary amendments to ensure that they remain consistent with the Board's objective, current law and practices.