



# **HOCK HENG STONE INDUSTRIES BHD**

[Registration No. 200801038692 (840040-H)]

## **GROUP OF COMPANIES**

### **BOARD CHARTER**

Updated as at 17 June 2020

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## **1. INTRODUCTION**

- 1.1 The Board Charter outlines the Board of Director's ("Board") strategic tone, direction, roles and powers that the Board exclusively reserves for itself, and those of whom it delegates to the Management.
- 1.2 This Board Charter is subject to the provisions of the Companies Act 2016 ("CA2016"), the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Malaysian Code on Corporate Governance ("MCCG") and any other applicable law or regulatory requirements.

## **2. PURPOSE**

- 2.1 The Board shall direct and manage the affairs of the Company and its subsidiaries ("Group").
- 2.2 The primary responsibility of the Board is to manage and govern the Company, and fiduciary responsibility for the overall financial and organizational health of the Company to ensuring the long-term success of the Group.
- 2.3 The Board provides guidance in leadership and advice in improving corporate strategies, championing good governance and ethical practices, and sees through that the strategies are executed effectively.
- 2.4 The Board has established the following Board Committees with their respective Terms of Reference ("TOR"):
  - a. Audit Committee of which are required professional qualification as determined by the MCCG.
  - b. Remuneration Committee consisting of only non-executive directors in which majority are Independent Directors.
  - c. Nomination Committee consisting of only non-executive directors in which majority are Independent Directors.

## **3. BOARD COMPOSITION**

- 3.1 The Board should consist of professionals with appropriate mix of skills, knowledge, experience, and independent elements that fits in the company's objective and strategic goals, including one with IT background. The Board also aims to achieve gender diversity with a percentage of approximately 30% of women directors in The Board.
- 3.2 The Board shall comprise of at least two (2) Directors and not more than twelve (12) directors, in accordance with Constitution of the Company, or one third (1/3) of the Board, whichever is higher, must be Independent Director, in accordance with the Listing Requirements of Bursa Securities.
- 3.3 Nomination and election of new director is governed by structured nomination and election process and delegated to Nomination Committee with ultimate

responsibility and authority lies with the Board. In the event of any vacancy due to non-compliance, it shall be filled within 3 months.

- 3.4 The Board, assisted by the Nomination Committee to evaluate the potential candidate for new directorship and director nominated for re-election, to make the final decision.
- 3.5 The office of a Director shall become vacant if the Director:
- a. Becomes disqualified from being a Director under Sections 198 or 199 of the CA2016;
  - b. Resigns his office by notice in writing to the Company;
  - c. Ceases to be or is prohibited from being a Director by virtue of the CA2016 or the Bursa Securities Listing Requirements;
  - d. Becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;
  - e. Is removed from his office as Director by ordinary resolution of the Company in a general meeting of which special notice has been given in accordance with Section 206(3) of the CA2016;
  - f. If becomes bankrupt or makes any arrangement or composition with his creditors generally under the terms stated in Anti-Bribery and Corruption (“ABC”) policy; or
  - g. Is absent from more than 50% of the Board of Directors’ meetings held during a financial year unless approval is sought and obtained from Bursa Securities.

#### 4. DELEGATION TO BOARD COMMITTEES

- 4.1 The Board may from time-to-time establish Board Committees as it considers necessary or appropriate to assist it in carrying out its responsibilities.
- 4.2 The Board shall, as a minimum, establish the following Board Committees and shall adopt charters setting out matters relevant to the authority, responsibilities, membership and operation of those committees:

- **Audit Committee**

Audit Committee assists in fulfilling the Board’s stewardship accountability to its Shareholders and financial stakeholders. An Audit Committee shall provide assurance to the Board with quality and reliable financial information and are responsible for the accuracy and integrity of the Group’s financial reporting.

- **Nomination Committee**

The Nomination Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of

the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director as well as identify candidates to fill board vacancies, and nominating them for approval by the Board.

- **Remuneration Committee**

The Remuneration Committee is primarily responsible for recommending to the Board the remuneration of Executive Director and Non-Executive Directors in all its forms, drawing from outside advice if necessary.

4.3 The Board may also delegate specific functions to ad-hoc committees as and when required.

4.4 The powers delegated to these committees are set out in their respective TOR as approved by the Board. The Chairman of the respective Board Committees reports to the Board on the outcome of the committee meetings and such reports or minutes will be included in the Board papers.

## **5. REMUNERATION**

5.1 The fees and any benefits payable to the Board members shall be subject to the approval by the shareholders at the annual general meeting under the recommendations by the Remuneration Committee to the Board to promote and support long term vision and strategies of the Group.

5.2 Non-Executive Board members will be paid a basic fees as ordinary remuneration in addition to a sum paid based on their responsibilities in Board Committees, including their attendances at meetings subject to approval from shareholders.

5.3 Directors are entitled to reimbursements for all travelling and other expenses incurred in the course of carrying out their duties as Directors of the Company.

5.4 Remuneration package of Non-Executive Directors shall not include an element of commission or percentage of turnover or profits.

5.5 In consideration of the recommendation from Remuneration Committee, the Board is responsible to determine the level of remuneration of the Directors and Senior Management of the Group in such a manner to promote long-term vision and strategies of the Group.

## **6. INDEPENDENT DIRECTORS**

6.1 An Independent Director is essential for protecting the interests of Shareholders and can make significant contributions to the Company's decision-making by bringing in the quality of detached impartiality. Since an Independent Director has no conflict of interests in the discharge of his duties, he ought to approach any approval for a transaction or other matter that is being sought at the Board level with a watchful eye and with an inquiring mind.

6.2 An Independent Director is considered an individual who:-

- a. is an independent director as defined under Paragraph 1.01 of the Listing Requirements;
  - b. does not have aggregate income sourced from the Group, (except the director fee he/she receives of his/her capacity as Independent Director of the Company), which is more than 5% of his/her total income; and
  - c. declared his independence vide Declaration of Independency to the Board through Nomination Committee.
- 6.3 In the event that even if a person does not fall within any of the disqualifying indicators enumerated out in Paragraph 1.01 of the Listing Requirements, both the Director and the Board must give effect to the spirit, intention and purpose of the definition of an Independent Director. There must be a conscious application of the test of whether the said Director is able to exercise independent judgment and act in the best interests of the Company.
- 6.4 The role of the appointed Senior Independent Director, upon the approval by the Board, is to:
- a. represent a sounding board for the Chairman.
  - b. act as designated point of reference for direct communication with shareholders and all other stakeholders on matters that cannot be resolved via normal point of contact with the Chairman or the Managing Director.
- 6.5 The tenure of an Independent Director:
- a. should not exceed a cumulative term limit of nine (9) years.
  - b. upon completion of the nine years, an Independent Director may continue to serve on the board as a Non-Independent Director.
  - c. the Board must attain approval from Shareholders should they intend to retain an Independent Director beyond nine (9) years.
  - d. the Board must attain approval from Shareholders through a two-tier voting process, should they intend to retain an Independent Director beyond twelve (12) years.

## **7. RESPONSIBILITIES**

### **7.1 Board of Directors**

In accordance with the MCCG, the Board should, among others,

- Set the corporate values and promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behavior and ensure that its obligations to shareholders and other stakeholders are met;

- Review, challenge and decide on Management's proposals for the Company, monitor the implementation by the Management;
- Oversee the conduct of the Group's business and operations, and ensure the businesses are being properly managed;
- Ensure the adequacy and integrity of the Group's internal controls and management systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Understand the principal business risks and recognize that business decisions involve the taking of appropriate risks;
- Set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyze, evaluate, manage and monitor significant financial and non-financial risks;
- Ensure the Company has in place procedures to ensure effective communication with, and appropriate disclosure to, its shareholders and other stakeholders; and
- Ensure the integrity of the Company's financial and non-financial reporting.
- To note and acknowledge the proceedings and outcome from private sessions with both the internal auditors and external auditors at least once every year.

In addition, responsibilities extended to include the following:

Strategic & Operational

- Business strategy and performance targets.
- Emerging business issues and challenges arising from regulatory changes and changes in business environment.
- Material transactions / major investments / major capital expenditure, acquisition / disposal of a business or assets in excess of the authority limits delegated to Management.
- Related party transactions.
- Changes to management and control structure of the Group, including key policies and authority limits.
- Implementation of corporate governance policies and practices.
- Sustainability strategy and initiatives.

Financial

- Quarterly financial audit and review of the Group's performance.
- Release of financial results announcements and approval of audited financial statements.

Conduct of the Board

- Appointment of Chairman and Directors.

- Establishment of Board Committees, their membership and delegated authorities and changes to the Board and Board Committees composition.
- Assessment of performance of the Board and Board Committees.
- Appointment of key management positions including Managing Director.
- Appointment and removal of Company Secretary.

The Board is supported by the Company Secretary to provide sound governance advice, ensure adherence to regulatory requirements, codes, guidance and legislations and advocate adoption of corporate governance best practices.

## 7.2 Directors

- a. A Director will exercise his powers at all times in the best interest of the Company and in good faith. He shall be honest and use utmost care, skill, diligence in discharging all of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company.
- b. A Director shall avoid conflict of interest at all times and shall practice soon after coming to knowledge any relevant facts, and declare the nature of his interest at a meeting of the Directors of the Company. Every Director shall give notice to the Company of such events and matters relating to him as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the CA2016.

## 7.3 Non-Executive Directors

Non-Executive Directors are persons with caliber, are credible, and have necessary skills and experience to bring an independent judgement to bear on the issues of strategy, performance and resources, including key appointments and standard of conduct. For the purpose of carrying out its roles and responsibilities as a Director, Non-Executive Directors:

- a. Are required to make an independent assessment of the information, reports, or statements, having regard to the director's knowledge, experience and competency, to provide an independent view and demonstrate objectivity in reviewing and challenging the Management's proposal at meetings;
- b. To act as intermediary between Management, shareholders and other stakeholders, and provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interest and ensuring that high standards of corporate governance are applied; and
- c. Are expected to commit to their responsibility to the Company, including in the exercise of their fiduciary and leadership roles. All



Directors are required to consult the Chairman before accepting new directorship in any other public listed company.

Every Director shall not hold more than five (5) directorships in listed issuers or such other requirements as prescribed by the Bursa Securities Listing Requirements.

#### 7.4 Chairman

The primary responsibility of Chairman of the Board is to orderly conduct the functioning of the Board and to ensure the effectiveness of the Board.

The Chairman of the Board shall also act as Chairman at all Board Meetings and general meetings. In the absence of the Chairman in any meeting, the remaining Board members present shall elect one of themselves to chair the meeting in accordance with the provisions set out in the Company's constitution.

The responsibilities of the Chairman shall include, but are not limited to, the following:

- (i) To provide leadership to the Board, to ensure that the Board are able to discharge of its fiduciary duties effectively.
- (ii) To set the agenda for Board Meetings, and ensure efficient and effective conduct of the Board Meetings.
- (iii) To ensure that complete and accurate information to facilitate decision-making are provided to the Board members in a timely manner.
- (iv) To lead Board Meetings and encourage active participation and allow dissenting views to be freely expressed.
- (v) To promote constructive and respectful relations between Board members and manage the interface between the Board and Management.
- (vi) To ensure appropriate steps are taken to provide effective communication with stakeholders and their views are communicated to the Board as a whole; and
- (vii) To lead the Board in establishing and monitoring good corporate governance in the Company.

#### 7.5 Company Secretary

- (i) Manage the logistics of all Board and committee meetings, attend and record minutes of all Board and committee meetings;
- (ii) Advise the Board on its roles and responsibilities;

- (iii) Facilitate the orientation of new directors and assist in director training and development;
- (iv) Advise the Board on corporate disclosures and compliance with the CA2016, Listing Requirements and all other relevant regulations and requirements;
- (v) Manage processes pertaining to the general meetings;
- (vi) Monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and
- (vii) Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

## **8. SEPARATION OF FUNCTIONS BETWEEN THE CHAIRMAN AND MANAGING DIRECTOR**

- 8.1 The roles of the Chairman and Managing Director are distinct. The segregation between the duties and responsibilities of Chairman and Managing Director ensures an appropriate balance of roles, responsibilities and accountability at Board level.
- 8.2 The Chairman plays a vital role in leading and guiding the Board, and also serves as the communication point between the Board and Managing Director. The responsibilities of the Chairman include leading the Board in its collective oversight of Management.
- 8.3 The Managing Director shall be appointed by the Board to implement the policies and strategies approved by the Board for the purposes of running the business and the day-to-day management of the Company. The Managing Director is supported by a Management Team and other committees which are tasked to oversee key operating areas.

## **9. MEETINGS**

- 9.1 The Board shall meet at least four (4) times in each financial year with additional meetings convened as and when necessary.
- 9.2 Meeting schedule is prepared and circulated to Directors before the beginning of each year. The meeting schedule includes dates for meetings of the Board and Board Committees, annual general meeting as well as the closed period for dealings in securities of the Company based on the targeted date of announcement of quarterly results of the Group.
- 9.3 A quorum for Board Meetings shall be two (2) Directors.
- 9.4 Each Director shall attend at least 50% of the total Board Meetings held during the year. Any Director may participate at a meeting of Directors by way of

telephone and video conferencing or by means of other communication equipment in which event such as Director shall be deemed to be present at the meeting.

- 9.5 The Group Accountant shall normally attend the Board Meetings. Senior management employees of the Group, professional advisors or external consultants may attend a meeting of the Board only at the invitation of the Chairman.
- 9.6 Meeting materials should be furnished to the Directors at least five (5) days prior to each Board Meeting, to enable them to prepare for these meetings.
- 9.7 A resolution in writing signed by a majority of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. All such resolutions shall be described as “Directors’ Circular Resolutions” and shall be recorded by the Company Secretary in the Company’s Minutes Book. A signed Directors’ Circular Resolution transmitted by any electronic means shall be deemed to be an original.
- 9.8 The Director should have direct access to the key management and have unrestricted access to all information pertaining to the Group in a timely manner for the discharge of their duties effectively.
- 9.9 Directors are required to inform the Board of conflicts or potential conflict of interest that may have in relation to particular subject matter or business transaction. These Directors shall abstain from deliberation and determination of those matters.
- 9.10 The Company Secretary shall act as the Secretary of the Board who shall be in attendance and shall be responsible for keeping minutes of all Board Meetings. The Board also has access to any form of independent professional advice, information and the advice and services of the Company Secretary, if and when required, in carrying out its functions.
- 9.11 The minutes shall record the proceedings of the meeting, and tabling of pertinent issues, the substance of inquiry and response, relevant suggestions and decisions made, including whether any Director abstained from voting or deliberating on a particular matter, as well as the rationale behind those decisions. Minutes of meeting should be circulated to all members of the Board in a timely manner.

## **10. COMMUNICATION WITH SHAREHOLDERS**

- 10.1 The shareholders must be informed of all material business matters affecting the Company.
- 10.2 The Board ensures timely release of financial results on a quarterly basis and other major developments to provide the Shareholders with an overview of the Company’s performance and operations.

- 10.3 All relevant press releases should be vetted through by the Managing Director and/or the Company Secretary to ensure that information that has yet to be released to Bursa Securities is not released to the press beforehand.
- 10.4 The Board ensures that the views of the majority shareholders are considered in its decision making. In addition, the minorities' interest should also be adequately protected.
- 10.5 The Board should ensure the Company leverage on information technology for effective dissemination of information and the Company's websites to provide easy access to corporate information pertaining to the Company and its activities and is continuously updated.
- 10.6 The Board will strive to ensure that all Shareholders have ready and timely access to all publicly available information of the Company, to fairly and accurately represent the Company so that investors and potential investors can make properly informed investment decisions and others can have a balanced understanding of the Company and its objectives.

## **11. STAKEHOLDERS MANAGEMENT**

- 11.1 The Board endeavours to provide and maintain ongoing engagement and communication with shareholders, public, media, government bodies and other stakeholders in order to build trust and understanding between the Company and its stakeholders. In this regard, the Group ensures that the dissemination of material information is timely, clear, complete and accurate.
- 11.2 The Group employs various communication channels to promote effective dissemination of information such as announcements released on Bursa Securities via BURSA LINK, press releases and analyst briefings as well as on the Company's website at [http:// https://www.hockheng.com.my/](http://https://www.hockheng.com.my/)
- 11.3 As a socially-responsible corporate citizen, the Board is committed to social and environment sustainability. This fundamental Corporate Responsibility is advocated by the Board and intensively nurtured and practiced by Management with firm commitment to three (3) major stakeholders:

**(a) Employees**

The Board acknowledges that the employees are invaluable assets of the Company and play a vital role in achieving the Company Goals.

The Board is committed to ensure the Management to build a company where employees are happy to work, confident and take pride as part of the Company.

**(b) Customer**

The Board is committed to ensure that the Management place the highest regards in relation to the safety and quality of products. Management to

ensure its products and services are in order to achieve the highest customer satisfaction.

**(c) Environment**

The Board is committed to ensure that the Management preserve and enhance the society's quality of life by improving the Company's activities in order to sustain the environment in all areas of the Company's operations.

**12. CODE OF ETHICS**

The Companies Commission of Malaysia's Code of Ethics is observed by the Group's Board of Directors.

**13. REVIEW OF THE BOARD CHARTER**

The principles of this Board Charter are:

- (a) Kept under reviewed and updated as practices on the MCGG and further guidelines on the MCGG or Listing Requirements are issued by the regulatory authority; and
- (b) Applied in practice having regard to their spirit and general principles rather than to the letter alone.

The Board shall periodically review this Board Charter and update to take into consideration any new developments in relevant rules, regulations, and laws that may have direct or indirect impact to the Board's responsibilities and duties.

This Board Charter was revised and approved by the Board on