

**1. PURPOSE OF CHARTER**

The Board of Directors (“Board”) of Hock Seng Lee Berhad (“HSL”) is committed to good corporate governance and recognizes that accountability and transparency at every level of the organization is essential in safeguarding assets, enhancing shareholder value and maintaining strong financial performance.

This Board Charter sets out the role, responsibilities, composition and operation of the Board of HSL and is a source of reference to prospective board members and senior management. The conduct of the Board is also governed by the Memorandum and Articles of Association of HSL and applicable legislations.

**2. PURPOSE OF THE BOARD**

The Board has two broad purposes: compliance and performance.

The Board is responsible for the overall performance of the Group and in the course of business shall comply with all legal requirements at all times.

**3. AUTHORITY**

With the exception of specific corporate decisions stated in the Companies Act, Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and the Articles of Association of the Company that require the passing of ordinary or special resolutions by shareholders, the Board shall have full authority to make all decisions.

**Board Committees**

The Board shall also have the power to delegate specific functions and authority to its Board Committees to assist in the discharge of its responsibilities. In doing so, the Board shall:-

- adopt terms of reference for each board Committee, addressing the role, duties and responsibilities, composition and structure and any other matters relevant to the respective Board Committees;
- appoint members to each Board Committee and makes changes to the membership;
- evaluate the operations of the Board Committees;
- receive a copy of minutes of each meeting of such committees.

The Board has established the following Board Committees:-

- Management Committee
- Audit Committee
- Nomination Committee
- Remuneration Committee

**4. ROLES AND RESPONSIBILITIES**

A key role of the Board is to monitor the Company to ascertain that it maintains an optimum balance between encouraging staff to contribute to driving growth in the business and exploiting new opportunities, and the need for the Board to ensure risks are taken in a reasoned manner.

The Board assumes full responsibility for the success of the Group by taking stewardship responsibilities to lead the Group and undertakes to serve the interest of various stakeholders, employees and the community diligently, fairly and in accordance with applicable laws. The Board focuses on the following matters which are specifically reserved for the Board and they constitute the key responsibilities of the Board:-

***Strategic Plan:***

- Establishing the vision and evaluating, approving and monitoring overall strategic plans for the Group including the strategies on promoting sustainability;
- Evaluating, approving and monitoring the annual business plan;
- Evaluating, approving and monitoring major capital commitments, acquisitions and divestitures, capital management and all major corporate transactions including share buy-back exercises;
- Evaluating business performance and achievement of targets quarterly;
- Approving the payment of interim dividends and recommending any final dividend payments.

***Overall Management and performance:***

- Delegating authority for the operations and administration of the organisation to the Management Committee which comprises all executive directors and is led by the Managing Director. The Management Committee is primarily responsible for developing the Group's strategy and business plan including annual estimates for the approval of the Board; overseeing the implementation of the approved strategy and business plan; developing a risk management framework and undertaking an ongoing process for identifying, reviewing and managing the significant risks faced by the Group; managing the operational activities and routine business matters and entering into transactions up to an approved limit; and management manpower requirements and succession planning.
- Collaborating with the Management Committee in:
  - articulating the organization's values, vision, mission and strategies;
  - developing strategic plans and setting strategic priorities;
  - maintaining an organisation structure to support the achievement of agreed strategic objectives.

***Risks Management and Internal Control System:***

- Evaluating and approving a risk management framework which is embedded in the Group's management systems and provides a structured approach in identifying, assessing and managing the key risks faced by the Group. The risk management framework shall cover compliance with legal and regulatory requirements;
- At least annually reviewing and monitoring the Group's risks, exposures and the internal controls that are in place to mitigate such risks;
- Approving the Statement on Risk Management and Internal Controls to be included in the Annual Report annually.

***Succession Planning and Human Resources Management:***

- Appointing members to the Nomination Committee annually. The Nomination Committee is primarily responsible for recommending new director nominees to the Board and Board Committees and for assessing the performance of the directors on an on-going basis;
- Approving all appointments of Directors;
- Appointing members to the Remuneration Committee annually. The Remuneration Committee is primarily responsible for reviewing the remuneration of the Directors and advising the Board accordingly;
- The determination of the remuneration packages of directors shall be approved by the Board and individual Directors are required to abstain from deliberating and voting on their own remuneration. The Board shall recommend the fees for Non-Executive Directors for the approval of the shareholders of the Company at its AGM;
- Approving the appointment and accepting the resignation of the Company Secretaries;
- Ensuring that the Group maintains a strong organization structure with a dynamic senior management team, and provision for succession.

***Shareholder/Investor Relations and Corporate Communication:***

- Establishing and updating the Corporate Disclosure Policy of HSL;

- Approving all announcements to Bursa Malaysia;
- Maintaining the highest standards of transparency and accountability by ensuring the timely disclosure of information to shareholders, potential investors and the public;
- Endeavoring to provide shareholders and the public with a balanced assessment of the Group's performance, position and prospects on a quarterly basis via the quarterly reports and press releases and to provide timely and adequate disclosure of information on matters of material impact to the public;
- Providing an annual report to shareholders and meeting them annually;
- Maintaining a web-site where shareholders and the general public can access the latest corporate information of the Group including annual reports, quarterly reports, corporate governance information and announcements made to Bursa Malaysia.

***Accountability and Audit***

- Appointing members to the Audit committee to assist the Board in the effective discharge of its responsibilities relating to financial reporting, corporate governance and corporate control;
- Reviewing key issues deliberated and decided by the Audit Committee quarterly;
- Reviewing and approving the Financial Statements with the aim of presenting a balanced and understandable assessment of the Group's financial position in the annual audited financial statements and the quarterly reports to shareholders;
- Ensuing that the financial statements are prepared in accordance with the Companies Act and applicable approved accounting standards so as to give a true and fair view of the state of affairs of HSL;
- Issuing a Statement on Directors' Responsibility for Preparing the Annual Audited Financial Statement to be included in the Annual Report;
- Approving the Audit Committee Report for the Annual Report;
- Preparing Corporate Governance Statement for the Annual Report;
- Considering recommendations of the Audit Committee in regards to the appointment of external auditors and their remuneration;
- Formulating ethical standards through the HSL Code of Ethic and Conduct.

***Others Matters reserved specifically for the decision of the Board***

- Setting financial authority limits for transactions including decisions on substantial transactions that are not of a revenue nature in the ordinary course of business and expenditure and construction contracts above a certain limit and reviewing these when required;
- Determining all banking facilities and cheque signatories;
- Ensuring that the organization has appropriate corporate governance structures in place including promoting a culture of corporate and social responsibility.

## **5. MEMBERSHIP**

**Composition**

The Constitution of the Company provide for a minimum of two (2) and a maximum of fifteen (15) Directors on the Board. All Directors shall be appointed by the Board through the recommendation of the Nomination Committee.

At least one third (1/3) of the Board shall be independent non-executive directors pursuant to Paragraph 15.02 of the Main Market Listing Requirements. Membership of the Board shall be disclosed in the Annual Report, including whether a director is independent. The independent directors provide independent judgment, experience and objectivity. The Board shall through the Nomination Committee assess the independence of all independent directors annually by taking into consideration their disclosed interests.

Where an independent director has served the Company for a cumulative service of 9 years, the Board shall make a recommendation and provide justification to shareholders in a general meeting should it seek for the independent director to continue in the position.

The Board shall identify a Senior Independent Director to whom any concerns relating to the Group may be conveyed.

#### **Re-election and Re-appointment of Directors**

A Director (including the Managing Director) appointed by the Board must submit himself or herself for re-election at the next AGM following his or her appointment and at least every three years thereafter in accordance with the Company's Articles of Association. At least one-third of the Directors are required to retire by rotation each year.

#### **New Directorship**

All Board members shall notify the Board before accepting any new directorship. The notification shall include an indication of time that will be spent on the new appointment.

#### **Role of Chairman, Managing Director and other Directors**

The roles of the Chairman and the Managing Director are distinct and separate to ensure a balance of power and authority.

The Chairman is elected by the Board and presides at Board Meetings and at Shareholder meetings. He leads the Board and is responsible for the efficient functioning of the Board and ensures procedural rules are followed so that decisions made are formally adopted and cannot be challenged or invalidated. His effective leadership can ensure Board Meetings are run efficiently with the right balance of opportunity to question and debate and coming to quick decisions so that the meetings progress.

The Managing Director holds the primary executive responsibility for the Group's business performance and manages the Group in accordance with the strategies and policies approved by the Board. He leads the Executive Directors in making and implementing day-to-day operational business decisions, managing resources and risks in pursuing the corporate objectives of the Group. He brings material and other relevant matters to the Board, motivates employees, and drives change/innovation and growth within the Group.

Executive Directors are involved in leadership roles overseeing the day-to-day operations within their specific area of expertise or assigned responsibility. They represent the company at the highest level and are decision makers on matters within their scope. They liaise frequently with the Managing Director and with each other to lead the management to drive the Group forward.

Non-executive Directors are not involved in the day-to-day running of the Group, but contribute their particular expertise and wealth of experience to developing the business strategy. They have various roles in the Board Committees and contribute significantly, especially in the enhancement of the corporate governance and controls of the Group. They must be individuals of high calibre, sound reputation and standing and bring independent judgment to the Board's decision making.

## **6. MEETINGS**

#### **Frequency of meetings**

The Board shall meet at least 4 times each financial year and at any such time as it deems necessary to fulfill its responsibilities.

### **Supply of Information**

The Directors shall have access to all information within the Group, whether in the capacity of a full Board, Board Committee or in their individual capacity, to enable them to discharge their duties. All directors are provided with timely notices with agenda and appropriate information prior to each meeting. This includes appropriate Board papers that identify and fairly address the affairs of the Group and the key issues of the respective meetings. Minutes on deliberations and conclusions on issues raised are taken for all meetings of the Board and its committees and they are circulated to all Directors.

### **Company Secretaries**

The company secretaries shall be responsible for the preparation of meeting agendas and the distribution of relevant Board papers to all Board members. He/she ensures that all Board procedures, applicable rules and regulations are complied with.

### **Independent professional advice**

When necessary, any Board member can request to seek independent professional advice to discharge its duties effectively, at the company's expense, where the value of such advice to the Board Decision making process can be justified. Written approval must be obtained from the Managing Director prior to incurring such expenses on behalf of the Company.

## **7. DIRECTORS' ORIENTATION AND EDUCATION PROGRAMME**

All newly appointed Directors must complete the Mandatory Accreditation Programme and to undergo suitable orientation training, followed by regular seminars and briefings to continuously upgrade their knowledge and understanding of their role and responsibilities, the economic scenario and the industry climate.

## **8. REPORTING**

- Proceedings of all meetings are minuted and signed by the Chairman of the meeting;
- Minutes of all Board meetings are circulated to Directors and approved by the Board at the subsequent meeting;
- Director's circular resolution: A resolution in writing signed by a majority of all Directors shall be valid and effectual as if it had been passed at a meeting of the Directors duly called;
- The Board is responsible in the approval and release of periodic disclosure including Quarterly Reports and Annual Report.

## **9. REVIEW OF CHARTER**

The Board will periodically review this charter to ensure it remains consistent with the Board's objectives and responsibilities and any new regulations that may have an impact on the discharge of the Board's responsibilities.

## **10. ACCESS TO THIS CHARTER**

A copy of the charter is available on the Company's website