

**KOTRA INDUSTRIES BERHAD**

**BOARD CHARTER**

**A. INTRODUCTION**

The Board Charter together with the Company's Articles of Association, Memorandum of Association and the charters of the Board committees provide the authority and practices for governance of the Company.

The Board Charter sets out the principle role of the Board of Directors ("the Board"), the demarcation of the roles, functions, responsibilities and power of the Board, various Board Committees of the Company.

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

In addition, it will assist the Board in the assessment of its own performance and of its individual Directors.

**B. BOARD RESPONSIBILITIES**

The Board is responsible for the proper stewardship of the Company and its subsidiaries (collectively "the Group"). The Board is also responsible for the corporate governance and performance of the Group and is also committed to achieving the highest standards of business integrity, ethics and professionalism across the Group's activities.

The Board has the following major responsibilities, which facilitate the discharge of the Board's stewardship in the pursuit of the best interest of the Group:

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1. Adopting and reviewing a strategic plan for the Company and its subsidiaries;
2. Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed and sustained;
3. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
4. Succession planning, including appointing, training, fixing the remuneration of and where appropriate, replacing senior management of the Group;
5. Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
6. Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
7. Formalize company's strategies on promoting sustainability in environmental, social and governance (ESG) aspects of business. Balancing ESG aspects with the interests of various stakeholders is essential to enhance investor perception and public trust.

The Board is all fully committed to manufacture quality, safe and efficacy of pharmaceutical products that meet customer satisfaction.

It will achieve this through compliance with legislation and established worldwide standards:-

- MS ISO 9001:2008 Quality Management System Requirements
- MS ISO 13485:2006 Medical Devices – Quality Management System for Regulatory Purposes

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- Guide of Good Manufacturing Practice of Pharmaceutical Product as per Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme guideline.
- Establishing quality policy which is shared to all our employees to ensure mutual understanding
- Setting measurable quality objectives in line with company's business direction

The matters listed in the **Appendix A** are reserved for the collective decision of the Board.

**C. BOARD MEMBERSHIP**

**1. Composition**

At least two Directors or one third of the Board, whichever is higher, shall be Independent Directors as defined in the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main LR").

The tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. Otherwise, the Board must justify and seek shareholders' approval at Annual General Meeting in the event it retains the director as an Independent Director.

The Board will assess the independence of its Independent Directors on an annual basis.

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The Board is responsible to determine the appropriate size of the Board. The screening and evaluation process for potential new Directors and Directors to be nominated for re-election are delegated to the Nomination Committee (“NC”).

In the event of any vacancy in the Board, resulting in non-compliance with the Main LR, the Board must ensure that the vacancy is filled within 3 months.

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

The Board is also supportive of the gender boardroom diversity recommended by the Malaysian Code On Corporate Governance 2012. The Board through the Nomination Committee will review the proportion of the female to male board members during the annual assessment of the Director’s performance taking into consideration the appropriate skills, experience and characteristics required of the Board Members, in context of the needs of the Group.

The Board shall be responsible for recommending its members for election by the shareholders.

**2. Directors' Responsibilities**

- 2.1 The Directors will direct the management of the business and affairs of the Group.
- 2.2 Each Director will attend substantially all the meetings of the Board and substantially all the meetings of each committee on which the Director serves.
- 2.3 Each Director will review, before attending meetings of the Board or committees, all materials provided by the Company relating to matters to be considered at the meetings.

**3. Director Qualification Standards**

Each Director must have the following qualifications and commitments:

- (a) Education and experience that provides knowledge of business, financial, government or legal matters that are relevant to the Company's business or its status as a publicly owned company;
- (b) An unblemished reputation for integrity;
- (c) A reputation for exercising good business judgment;
- (d) Sufficient available time to be able to fulfill his or her responsibilities as a member of the Board and of any committees to which he or she may be appointed. Directors are required to notify the Chairman before accepting any new Directorship and to indicate the time expected to be spent on the new appointment.

**4. New Board Members**

New Board Members shall be briefed on the terms of their appointment, their duties and obligations and on the operations of the Group. Copies of the following shall be provided to the newly appointed Director:

- i. Board Charter;
- ii. Memorandum & Articles of Association;

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- iii. Directors' Code of Ethics;
- iv. Board committees' composition and terms of reference;
- v. Latest business plan;
- vi. Latest annual reports and financial statements; and
- vii. Organisation chart

On the appointment of new Director, the new Director is required to attend the Mandatory Accreditation Programme (MAP) conducted by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The new Director is required to commit sufficient time to attend to the Company's meetings/matters before accepting his/her appointment to the Board.

An internal induction programme, which includes a briefing by the Managing Director, is a prerequisite to becoming a member of the Board. The aim is to facilitate understanding of the Group's operations and expose them to its corporate culture. A new Director will have the opportunity to participate in the Group's offices and manufacturing plants tour and participate in discussions with the senior members of the Management team during the orientation.

The Directors' Code of Ethics is as set out in **Appendix B**.

**5. Division of Roles between Chairman of the Board and Chief Executive Officer**

5.1 There must be clear division of the roles and responsibilities of the Chairman of the Board and the Chief Executive Officer (“CEO”) to ensure that there is a balance of power and authority. The Chairman of the Board is responsible for ensuring the Board’s effectiveness and conduct as described below whilst the CEO has overall responsibility over the business units and day-to-day management of the Company, organizational effectiveness and implementation of Board policies, strategies and decisions. The position of Chairman and CEO shall be held by different individuals, and the Chairman must be a non-executive member of the Board. The Board must comprise a majority of independent directors where the Chairman of the Board is not an Independent Director.

5.2 In respect of running the Board, the Chairman is responsible for the following:-

- (a) The working of the Board;
- (b) The balance of membership, subject to Board and shareholders’ approval;
- (c) Ensuring that all relevant issues are on the agenda;
- (d) Ensuring that all Directors are enabled and encouraged to play their full part in the Board’s activities. This includes ensuring that the Directors, especially the Non-Executive Directors receive timely, relevant information tailored to their needs and they are properly briefed on issues arising at Board meetings; and ensuring that the Executive Director looks beyond his executive function and accepts his full share of responsibilities of governance.

5.3 The responsibilities of the CEO amongst others are as follows:-

- (a) To develop and implement corporate strategies for the Group;
- (b) To regularly review the heads of divisions and departments who are responsible for all functions contributing to the success of the Group;

- (c) To ensure the efficiency and effectiveness of the operation for the Group;
- (d) To assess business opportunities which are of potential benefit to the Group;
- (e) To bring material and other relevant matters to the attention of the Board in an accurate and timely manner.

5.4 The responsibilities of the Independent Non-Executive Directors include the following:-

- (a) To provide independent and objective views, advice and judgment to ensure that the interests of the Group, shareholders and stakeholders are well taken into account;
- (b) To bring impartiality and scrutiny to Board deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective manner;
- (c) To constructively challenge and contribute to the development of the business strategies and direction of the Group.

Regular review of the division of responsibilities should be conducted to ensure that the needs of the Group are consistently met.

## **6. Division of Roles between the Board and the Board Committees and between the Board and Management**

6.1 The Board may from time to time establish committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions to the following committees to assist in the execution of its responsibilities:

- Audit Committee;
- Nomination Committee;
- Remuneration Committee;



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- ESOS Committee, and
- Risk Management Committee

The Committees shall operate under their respective charters. The Committees are authorized by the Board to deal with and to deliberate on matters delegated to them within their charters, an extract of which will be made available for reference on the Company's website. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

Although the Board has granted discretionary authority to these Committees to deliberate and decide on certain operational matters as set out in their respective charter, the ultimate responsibility for final decision on all matters lies with the Board.

6.2 There must be clear division of the roles and responsibilities of the Board and Management to ensure that there is a balance of power and authority.

The responsibilities of Management include the following:

- (a) **Planning**: Generating plans of action for immediate, short term, medium term and long term periods;
- (b) **Organising**: Organising the resources, particularly human resources, in the best possible manner. Assembling and coordinating financial, physical, information and other resources needed to achieve the Company goals;

- (c) **Directing**: Stimulate high performance by employees, communicating and coordinating with employees to lead and enthuse them to work effectively together to achieve the goals and targets of the Company;
- (d) **Controlling**: Setting performance standards that indicate progress towards long-term goals of the Company. Evaluating the progress against the goals and targets of the Company and ensuring proper and timely execution of the same. Periodically review, evaluate and monitor performance.

The respective committees' terms of reference are set out in the **Appendices C, D, E and F**.

## **7. Director Orientation and Continuing Education**

- 7.1 The Company will make available to each new Director an opportunity to discuss the Group and its business with senior executives and inform each new Director of company policies which affect Directors, including this Board Charter.
- 7.2 The Company will make available to the Directors, at the Company's cost, professionally conducted programs regarding director responsibilities and other matters related to service on the Board.

## **D. BOARD PROCEDURES**

The processes and procedures for convening Board meetings are set out in the Company's Articles of Association which include and are not limited to the following:

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- 1) The Board may meet together for the dispatch of business at such time and place, adjourn and otherwise regulate their meetings and proceeding as they think fit.
- 2) The quorum necessary for the transaction of the business of the Board shall be two (2).
- 3) A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretions by or under these Articles vested in or exercisable by the Board generally. Subject to the Articles of Association of the Company, questions arising at any meeting of the Board shall be decided by a majority of votes. The Chairman shall not have a casting vote.
- 4) A member of the Board, or of a committee of the Board, may participate in a meeting of the Board or the committee by means of a conference telephone or any other audio, or audio-visual, communication equipment which allows all persons participating in the meeting to hear and speak with each other. A participant shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. The meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the Chairman of the meeting then is.
- 5) A Director may, and the Secretary at the request of the member shall, summon a Board meeting at any time. Notice of a Board meeting is deemed to be duly given to a Director if it is given to him personally or by electronic communication to an address given by him to the Company for that purpose or sent in writing to him at his last-known address or another address given by him to the Company for that purpose. A Director may waive the requirement that notice be given to him of a Board meeting, either prospectively or retrospectively provided that the waiver is made and signed by the member in writing. A Director absent or intending to be absent from Malaysia may request that notices of

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Board meetings during his absence be sent in hard copy form or by electronic communication to him at an address given by him to the Company for that purpose. If no request is made (and/or if no such non-Malaysian address is given) it is not necessary to give notice of a Board meeting to a Director who is absent from Malaysia.

- 6) In discharging the Directors' duties, each member of the Board is entitled to obtain independent professional advice at the cost of the Company.
- 7) Directors shall have access to management and, as necessary and appropriate, to the Group's independent advisors, in order to keep themselves fully informed of the Group's affairs and to enable them to make sound business judgments.

**E. DIRECTORS REMUNERATION**

The Board will determine the level of remuneration of Board Members, taking into consideration the recommendations of the Remuneration Committee..

Non-Executive Board Members will be paid a basic fee as ordinary remuneration and they will also be paid a sum based on their responsibilities in Board committees and for their attendance at meetings. The fee which is subject to the approval of the shareholders shall be fixed in sum and not by a commission or on percentage of profits/turnover.

**F. BOARD AND MEMBER ASSESMENT**

The Chairman keeps under review, informally, the contributions made by Board Members. The Nomination Committee is given the task to review annually the activities and effectiveness of the Board and the Board Members. The Chairman of the Nomination Committee oversees the overall evaluation process.

The Nomination Committee is required to report annually an assessment of the Board's and its committees' performance. The assessment report together with the report on the Board balance (the required mix of skills and experience and other qualities) will be discussed with the full Board. This exercise is carried out after the end of each financial year or such other time as may be deemed appropriate.

The performance of the Group Managing Director is assessed based on the KPIs approved by the Board.

**G. SHAREHOLDINGS BY BOARD MEMBERS IN THE COMPANY**

Board Members may hold shares in the Company. When buying or selling shares in the Company, Board Members must strictly observe the provisions of the Articles of Association, the Directors' Code of Ethics and all relevant legislative and regulatory requirements.

**H. THE COMPANY SECRETARY**

The appointment or removal of Company Secretary or Secretaries of the Board shall be the prerogative of the Board.

The Board should ensure it is supported by a suitably qualified and competent Company Secretary.

The Secretary is responsible for ensuring that the Board's policies and procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are compiled

with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

The Board shall consult the Company Secretary on procedural and regulatory requirements.

**I. RELATIONSHIP BETWEEN THE BOARD AND SHAREHOLDERS, INSTITUTIONAL INVESTORS, MEDIA, CUSTOMERS, ETC**

The Board will use its best endeavour to familiarise itself with issues of concern to Shareholders.

The Board believes that Management speaks for the Group. Nevertheless, individual board member may, from time to time at the request of the Management, meet or otherwise communicate with various constituencies that are involved with the Group. Comments from the Board, if appropriate in most circumstances, shall come from the Chairman/GMD.

The Board should take active steps to encourage shareholder participation at general meeting. The board should disclose all relevant information to shareholders to enable them to exercise their rights. The board should encourage poll voting to facilitate greater shareholder participation.

The Board shall also appoint amongst its members an Independent Non-Executive Director to be called Senior Independent Director, to whom concerns from other Directors, public or investors may be conveyed. Inquiries or complaints about decisions or actions taken by the Group should be addressed to the Senior Independent Director.

**J. REVIEW OF THE BOARD CHARTER**

This Charter shall be periodically reviewed and may be amended by the Board as it deems appropriate.

## **MATTERS RESERVED FOR COLLECTIVE DECISION OF THE BOARD**

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The authorities of the Board are specified below. The authorities may be varied from time to time as determined by the Board.

### **Conduct of the Board**

1. Appointment and recommendation for removal of directors.
2. Appointment and removal of Company Secretaries.
3. Appointment of Board committees and members.
4. Approval of terms of reference of board committees and amendments to such terms.

### **Remuneration**

1. Approval/recommendation of the directors' fee/remuneration arrangements for non-executive directors.
2. Approval of the remuneration structure and policy for MD, Chief Executive and Executive Directors.
3. Approval of remuneration packages for MD, Chief Executive and Executive Directors.
4. Approval of any proposed employees' share option scheme and / or amendments to the scheme, subject to other approvals that may be required by law or regulations.

### **Operational**

1. Approval of business strategy and group operational plan and annual budget.
2. Ongoing review of performance against business strategy and group operational plan, including monitoring of key risks and risk management policies and actions.



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3. Approval of capital expenditure above the prescribed amount as may be determined from time to time.
4. Approval of bad debts write-off in excess of the prescribed amount as may be determined from time to time.
5. Approval of investment or divestment in a company / business / property / undertaking;
6. Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities.
7. Approval of changes in the major activities of the Company or Group.
8. Approval of treasury policies and bank mandate.

**Financial**

1. Approval of interim and annual financial statements.
2. Approval for the release of financial announcements.
3. Approval of the Annual Director's Report and Statutory Accounts.
4. Approval of interim dividends, the recommendation of final dividends and the making of any other distribution.
5. Adoption of accounting policies.
6. Review the effectiveness of the Group's system of internal control. This function is delegated to the Audit Committee which will report to the Board on its findings.

**Other Matters**

1. The granting of powers of attorney by the Company.
2. The entering into of any indemnities or guarantees.
3. Recommendations for the alteration of the Memorandum and Articles of Association of the Company.

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4. Alteration of the accounting reference date, registered office and name of the Company.
5. Purchase own shares by the Company.
6. Issue of any debt instruments.
7. Scheme of reconstruction or restructuring.
8. Any other significant business decision.
9. Any other matters requiring the convening of a general meeting of shareholders or any class of shareholders.
10. Any other matters as may be required by the laws or the governing authorities.

## **DIRECTORS CODE OF CONDUCT**

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Board Members are required to observe the Directors' Code of Conduct as follows:

1. Compliance at all times with this Code of Conduct and the Board Charter.
2. Observe high standards of corporate governance at all times.
3. Adhere to the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
4. Act in good faith and in the best interest of the Company and Group.
5. Not misuse information gained in the course of duties for personal gain or for political purposes, nor seeks to use the opportunity of the service as directors to promote their private interests or those of connected persons, firms businesses or other organisations.
6. Uphold accountability at all times, this includes ensuring that the Company's resources are properly safeguarded and the Company conducts its operations as economically, efficiently and effectively as possible at all time.
7. Board Members should not accept positions on Board committees or working groups where a conflict of interest is likely to arise, without first declaring that interest.
8. Declaration of any personal, professional or business interest that may conflict with directors' responsibilities. Guidance on declaration and registration of interest is given in the section entitled "Declaration of Interest" below.
9. Follow the guidelines on acceptance of gifts and hospitality as stated in the section entitled "Guidelines on Acceptance of Gifts" below.

### **Declaration of Interests**

Subject to the requirements of any acts, rules or regulations that are in force from time to time and in addition to such mandatory requirements, members of the Board are required to notify the Company Secretary changes in the following:

1. Shareholding in the Company and its related corporations, whether direct or indirect; and
2. Directorship or interest in any other corporations.

In addition to the above, member of the Board who has a material interest , either directly or through a partner, spouse or close relative, in matters being considered by, or likely to be considered by the Board should declare that interest. Such declarations should describe the interest clearly and state whether it carries direct or direct financial benefits. This requirement also applies to members of senior management.

Relevant interests in this context are as follows:

1. Executive and non-executive directorships of, significant shareholding in, or employment by, public or private companies likely or possibly seeking to do business with the Company.
2. Ownership or part-ownership of, or employment by, businesses or consultancies likely or possibly seeking to do business with the Company.

### **Register of Interest**

The Code requires that a formal register of interest be established. The Register should include details of all directorships and other relevant interests declared by Board Members and members of senior management.

The register should keep up-to-date through an annual survey of members' interest, carried out by the Company Secretary.

### **Conduct in Meetings**

Any Board Member who has a clear and substantial interest in a matter under consideration by the Board should declare that interest at any meeting where the matter is to be discussed, whether or not that interest is already recorded in the register. The Board Member concerned should withdraw from the meeting during the relevant discussion or decision.

### **New Directorships**

Board Members should notify the Chairman before accepting any new directorship in any Public Listed or Private Companies which includes an indication of time that will be spent on the new appointment.

### **Membership of Committees**

Board Members should not accept positions on Board committees or working groups where a conflict of interest is likely to arise, without first declaring that interest.

### **Guidelines of Acceptance of Gifts**

The following set out guidelines on acceptance of gifts:

1. The conduct of individuals must not create suspicion of any conflict between their position as a member of the Board and any private interest;
2. Board Members acting as such must not give the impression that they have been influenced by a benefit to show favour or disfavour to any person or organisation having dealings with the Company;

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3. Board Members must not accept any benefits as an inducement or reward for taking any action (or specifically not taking any action) in their official capacity as a Board Member; and
4. Gifts other than of token value should generally be refused.

**Whistleblowing Policy**

Whistleblowing policy has drawn to ensure appropriate communication and feedback channels for members of staff to report irregularities in good faith.

## **TERMS OF REFERENCE OF AUDIT COMMITTEE**

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### **A. Composition of Audit Committee**

The Audit Committee will be composed of no fewer than three (3) members all of whom are Non-Executive Directors and majority of whom shall be Independent Directors. All members of the Audit Committee should be financially literate.

*In this respect, the Board adopts the definition of “independent director” as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”)*

At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountant or if he is not a member of the Malaysian Institute of Accountant, he must have at least three (3) years working experience and;

- i. he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
- ii. he/she must be a member of one of the associations of accountants as specified in Part II of the First Schedule of the Accountants Act 1967; or

fulfills such other requirements as prescribed or approved by Bursa Securities.

No alternate Director of the Board shall be appointed as a member of the Audit Committee.

Subject to endorsement by the Board, the Audit Committee shall elect a Chairman amongst themselves who is an Independent Director.

**Retirement and Resignation**

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 1 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

**Chairman**

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be independent director to chair the meeting.

**B. External Audit**

The following are the tasks and functions of the Audit Committee concerning external audit:

1. Consider the appointment of external auditors, the audit fees and any question of resignation or dismissal;
2. Review the adequacy of external audit arrangements, with particular emphasis on the scope and quality of the audit;
3. Review the assistance given by The Group and/or the Group's officers to the external auditors;
4. Review the quarterly and annual financial statements of The Group and its subsidiaries as well as the consolidated financial statements of the Group with management (and the external auditors in respect of the annual financial statements), including the following:
  - Any change in accounting policies and practices



- Significant adjustments arising from the audit
  - The going concern assumption
  - Compliance with accounting standards and other legal requirements;
5. Review the external auditors' audit report;
  6. Review any management letter sent by The Group's or any of its subsidiaries' external auditors and management's response to such letter;
  7. Review any letter of resignation from the external auditors of The Group or any of its subsidiaries; and
  8. Discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss in the absence of management where necessary.

### **C. Internal Audit**

The following are the roles and responsibilities of the Audit Committee concerning internal audit:

1. Review the adequacy of the scope, functions and resources, competency of the internal audit function and that it has the authority to carry out the work;
2. Review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate actions are taken on the recommendations of the internal audit function;
3. Review any appraisal or assessment of the performance of members of the internal audit function;
4. Approve any appointment or termination of senior staff members of the internal audit function; and

5. Take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

**D. Related Party Transactions**

The Audit Committee shall review all related party transactions and potential conflict of interests' situations that may arise within The Group.

**E. Risk Management and Internal Control**

The following are the responsibilities of the Audit Committee concerning risk management and internal control:

1. Review all areas of significant business and financial risk and the arrangements in place to contain those risks to acceptable levels;
2. Review the effectiveness of the system of internal control and management information system within The Group;
3. Consider the major findings of internal investigations and management's response; and
4. Consider other topics as defined by the Board.

**F. Rights and Powers of the Audit Committee**

The Audit Committee shall:

1. Have explicit authority to investigate any matters within its terms of reference;
2. Have the resources which it needs to perform its duties;
3. Have full access to any information which it requires in the course of performing its duties;

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4. Have unrestricted access to the Managing Director and the Chief Financial Officer;
5. Have direct communication channels with the external auditors and internal auditors;
6. Be able to obtain independent professional or other advice in the performance of its duties at the cost of The Group;
7. Be able to invite outsiders with relevant experience to attend its meetings, if necessary;  
and
8. Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of The Group and/or the Group, whenever deemed necessary.

**G. Cooperation from Management**

The Group and every subsidiary's management shall provide the fullest co-operation in providing information and resources to the Audit Committee, and in implementing or carrying out all requests made by the Audit Committee.

**H. Meetings**

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

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Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Finance Director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The Finance Director, the head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote.

**Quorum**

The quorum for the Audit Committee meeting shall be the majority of members present whom must be independent directors.

**Secretary**

The Company Secretary shall be the Secretary of the Audit Committee and will be responsible for co-ordination of administrative details including calling of meetings and keeping of minutes.

**I. Review of the Audit Committee**

The Board must review the terms of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee and the members have carried out their duties with the terms of reference.

## **TERMS OF REFERENCE OF NOMINATION COMMITTEE**

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### **A. Composition of Members**

The Board of Directors shall elect the Nomination Committee members from amongst themselves, composed exclusively of non-executive directors, a majority of whom are independent. The term of office of the Nomination Committee shall be for a period of three (3) years and may be re-nominated and appointed by the Board of Directors from time to time.

#### **Chairman**

The Chairman of the Nomination Committee shall be elected from amongst the Nomination Committee members and shall be an Independent director. The Chairman of the Committee shall be approved by the Board of Directors.

In the absence of the Chairman, the other Independent director shall be the Chairman for that meeting.

### **B. Meetings**

The Committee shall meet at least annual or at such frequency as the Chairman may determine.

All decisions of the Nomination Committee shall be decided on the votes of simple majority of those Members present. However, in the event there are only 2 members present in a meeting, both members must be in agreement to effect any decision. In the event there is an equality of votes, then the Chairman of the meeting shall have a casting vote.

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Any decision of recommendation made at the Nomination Committee shall subject to the review and ultimate approval of the Company's Board of Directors.

**Notice**

Minimum seven (7) days or such shorter notice as the NC may deem fit depending on the nature and prevailing circumstances at hand.

**Minutes**

The Secretary (which expression shall include the assistant or deputy Secretary appointed under item (vii) shall table the minutes of each NC Meeting and shall circulate the same for each Member's record. The Chairman's confirmation of the Minutes shall be taken as a correct proceeding thereat.

The Chairman shall report on each meeting to the Board.

**C. Quorum**

A quorum shall consist of two (2) members, one of whom shall be an independent director.

**D. Secretary**

The Secretary of the Nomination Committee shall be the Company Secretary. In the event any of the Company Secretary(s) is unable to attend, an assistant or deputy Secretary(s) may be appointed for the specific meeting.

**E. Functions of the Nomination Committee**

Without prejudice to the generality of the foregoing, the Nomination Committee shall:-

- a. Determine the core competencies and skills required of board members to best serve the business and operations of the Group as a whole and the optimum size of the Board to reflect the desired skills and competencies;
- b. Review the size of Non-Executive participation, Board balance and determine if additional Board members are required and also to ensure that at least 1/3 of the Board is independent;
- c. Recommend to the Board on the appropriate number of Directors to compose the Board which should fairly reflect the investments of the minority shareholders in the Company, and whether the current Board representation satisfies this requirement;
- d. Recommend to the Board, candidates for directorships to be filled by the shareholders or the Boards;
- e. Consider in making its recommendations, candidates for directorships proposed by the Chief Executive Office and, within the bounds of practicability, by any other senior executive or any Director or shareholder;
- f. Recommend to the Board of Directors the nominees to fill the seats on Board Committees;



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- g. Undertake an annual review of the required mix of skills and experience and other qualities of Directors, including core competencies which Non-Executive Directors should bring to the Board and to disclose this forthwith in every Annual Report;
- h. Assist the Board to introduce criteria and to formulate and implement a procedure to be carried out by the NC annually for assessing the effectiveness of the Board as a whole, the Board Committees and for assessing the contributions of each individual Director;
- i. Introduce any regulation which would enable the smooth administration and effective discharge of the Committee's duties and responsibilities;
- j. To furnish a report to the Board of any findings of the Committee;
- k. To recommend to the Board for continuation or discontinuation in service of directors as an Executive Director or Non-executive Director;
- l. To recommend Directors who are retiring by rotation to be put forward for re-election;
- m. To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfil the Board's responsibilities;
- n. Generally, to decide and implement such other matters as may be delegated by the Company's Board of Directors from time to time.

**F. Variation**

The above Terms of Reference may be determined and/or varied by the Company's Board of Directors at any time and from time to time.

- During the Board meeting held on 30 July 2001, the Board agreed that any investor holding an investment of 10% or more in Kotra's paid up capital is entitled to one board seat. In principle, the number of Board seats is to be determined by the size of the investment in Kotra, in multiples of 10%. For example, an investors holding 20% of Kotra's paid up capital should be entitled to 2 board seats. In cases of related entities or persons having investments in Kotra, the Board will consider the total investment of these entities or persons in deciding the appropriateness of inviting a nominee or representative from this group of entities or persons. However, the Board also highlighted that it will foremost consider the interest of the Group before making any invitation. For example, the Board will not offer a substantial shareholder a place on the Board if the Board has reason to believe that substantial shareholder is a competitor or associated with a competitor of Kotra.

**TERMS OF REFERENCE OF REMUNERATION COMMITTEE**

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**A. Composition of Members**

The Board of Directors shall elect the Remuneration Committee members from amongst themselves, composed wholly or mainly of non-executive directors. The term of office of the Remuneration Committee shall be for a period of three (3) years and may be re-nominated and appointed by the Board of Directors from time to time.

**Chairman**

The Chairman of the Remuneration Committee shall be elected from amongst the Remuneration Committee members. The Chairman of the Committee shall be approved by the Board of Directors.

In the absence of the Chairman, the members can elect from amongst themselves the Chairman for the Meeting.

**B. Meetings**

The Committee shall meet at least annual or at such other frequency as the Chairman may determine.

All decisions of the RC shall be decided on the votes of the simple majority of those Members present. However, in the event there are only 2 members present in a meeting, both members must be in agreement to effect any decision. In the event there is an equality of votes, then the Chairman of the meeting shall have a casting vote.

No Executive Director shall participate in the discussion of his own remuneration.

Any decision or recommendation made at the Remuneration Committee shall be subject to the review and ultimate approval of the Company's Board of Directors.

**Notice**

Minimum seven (7) days or such shorter notice as the Remuneration Committee may deem fit depending on the nature and prevailing circumstances at hand.

**C. Quorum**

A quorum shall consist of two (2) members, one (1) of whom shall be an independent Director.

**D. Secretary**

The Secretary (which expression shall include the assistant or deputy Secretary) shall table the minutes of each Remuneration Committee Meeting and shall circulate the same for each Member's record. The Chairman's confirmation of the Minutes shall be taken as a correct proceeding thereat.

The Chairman shall report on each meeting to the Board.

**E. Functions of the Remuneration Committee**

Without prejudice to the generality of the foregoing, the Remuneration Committee shall:-

- a. Review, recommend and advise on all forms of directors' remuneration, e.g.
  - Basic Salary
  - Profit-Sharing Schemes (if any)
  - Share Options
  - Any other benefits;
- b. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of all individual directors;
- c. To structure the component parts of the Executive Directors' remuneration so as to link rewards to corporate and individual performance; whereas, in the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned;
- d. Conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to performance over time. In this regard, the review of Non-Executive Directors' fees may take place at a different time of the year from the review of Executive Directors' salaries;
- e. To monitor and assess the suitability of such proposal performance related formula (e.g. whether the formula is based on individual performance, company profit performance, earning per share, etc.) and to see that awards under the Company's share option schemes are consistent with the Company's overall performance and provide an additional incentive to management;
- f. To provide an objective and independent assessment of the benefits granted to Executive Directors;
- g. To ensure that there are adequate pension arrangements for the Executive Directors;

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- h. To consider what other details of Executive Directors' remuneration to be reported in addition to the existing legal requirements, and how these details should be presented in the Annual Report;
- i. Introduce any regulation which would enable the smooth administration and effective discharge of the Committee's duties and responsibilities;
- j. To furnish a report to the Board of any findings of the Committee;
- k. Engage or appoint such other competent and professional advisers/consultants as may be deemed fit to assist the Remuneration Committee in the smooth discharge of its duties herein; and
- l. Generally, to decide and implement such other matter as may be delegated by the Company's Board of Directors from time to time.

**F. Variation**

The above Terms of Reference may be determined and/or varied by the Company's Board of Directors at any time and from time to time.

## **TERMS OF REFERENCE OF THE RISK MANAGEMENT COMMITTEE**

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### **A. OBJECTIVE**

The objectives of the Risk Management Committee (“Committee”) is to oversee and manage all risks of the Kotra Group, and to ensure that the risk management process is in place and functioning and that there is an on-going process to continuously manage the risks proactively.

### **B. MEMBERSHIP**

- a. The Risk Management Committee shall comprise one Independent Director who is a member of the Board, the Group Managing Director, Group Chief Operating Officer, Group Chief Financial Officer, Executive Director(s), Head of Operations and any new members who may be appointed as and when required by the Board.
- b. The quorum for the Committee shall be two (2) members.
- c. The Chairman and members of the Committee shall be appointed by the Board and shall include a mixture of risk and business knowledge experience.
- d. The appointment of a Committee member terminates when the member ceases to be a Director, or employees of the Group as determined by the Board.
- e. In the event of equality of votes, the Chairman shall have a casting vote. In the absence of the Chairman, one member of the Committee shall be elected to chair the meeting.
- f. Where the members for any reason are reduced to less than three (3), the Board shall within six (6) months of the event, appoint such member or new members as may be required to make-up the minimum number of three (3) members.

**C. DUTIES**

The duties of the Risk Management Committee are as follows:

- a. Establishing Strategic Context – Ensuring that the strategic context of the risk management strategy is complete and takes into account the environment within the Group operates and the requirements of all stakeholders and the Board of Directors;
- b. Establishing Risk Management Structure – Ensuring a short and long term risk management strategy, framework and methodology have been implemented and consistently applied by all Companies / Divisions;
- c. Establishing Risk Management Processes – Determining the overall risk management process that should be adopted by the Companies / Divisions overseeing the development of appropriate guidelines and policies for implementation;
- d. Embedding Risk Management Capability – Ensuring risk management process are integrated into all core business processes and that the culture and the organisation reflects the risk consciousness of the Board;
- e. Establishing Reporting Mechanisms – Providing a consolidated risk and assurance reporting to the Board of Directors to support the statement relating to internal controls in the Company's annual report;
- f. Integrating & Coordinating Assurance Activities – Ensuring alignment and coordination of risk and assurance activities across the organisation;
- g. Establishing Business Benefits – Identifying opportunities to release potential business benefits through the enhancement of risk management capabilities;
- h. Establishing Effectiveness of Risk Management Process – Facilitating and reviewing the development and implementation of improvements to simplify and enhance the effectiveness of the existing risk management system;



- i. Establishing Controls Effectiveness – Ensuring effective assessment and monitoring of mitigating controls implemented to reduce the impact and likelihood of occurrence of identified risks; and
- j. Managing the Enterprise-wide Risk Management programme – Supporting the implementation of the risk management processes within the business units across subsidiaries and associate companies of Kotra Industries Berhad.

**D. MEETINGS AND MINUTES**

- a. The Committee shall meet as and when required upon request by the members, provided that the Committee shall meet at least one (1) time a year.
- b. The Secretary of the Committee shall be elected among the committees.
- c. The agenda for each meeting including supporting information shall be circulated at least three (3) working days before each meeting to the Committee members and all those who are required to attend the meeting.
- d. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved. The meeting shall stand adjourned to the same day the following week at the same time and place, or to such other day and at such other time and place as the members may determine. If at such adjourned meeting a quorum is not present within 15minutes from the time appointed for holding the meeting, the meeting shall be dissolved.
- e. Attendance at a meeting may be by being present in person or by participating in the meeting by means of video or teleconference.
- f. The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minutes shall be signed by the Chairman of the next meeting at which the proceedings

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were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. The minutes of the Committee meeting shall be available to all Board members.

- g. All recommendations of the Committee shall be submitted to the Board for approval.
- h. The Committee, through its Chairman, shall report to the Board at the next Board of Directors' meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.
- i. The Chairman shall be available to answer questions about the Committee's work at the Annual General Meeting of the Company.