



## **BOARD CHARTER**

### **1. OBJECTIVES**

This Board Charter (“the Charter”) sets out:

- a) the Board structure and protocols;
- b) the Board’s roles and responsibilities, including the division of the responsibilities and powers between the Board and management; different committees, and between the chairman and the CEO; and
- c) processes and procedures for Board meetings.

The Charter is not an “all inclusive” document and should be read as a broad expression of principles.

### **2. BOARD STRUCTURE AND PROTOCOLS**

#### **2.1 Board Composition and Balance**

The Board shall compose of not less than two (2) nor more than eleven (11)<sup>1</sup> and a majority should be non-executive Directors. When evaluating its composition, the Board will consider the following factors:-

- a) nature, scope and size of the business of the Company and the Group;
- b) demand of the Board’s workload;
- c) maintaining a well-balance independent and non-independent Directors that comply with the independent Director requirement<sup>2</sup> stipulated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”);
- d) achieving a dynamic mix of competencies and diverse skill sets of Board members; and
- e) any other mandatory provisions that have bearing on Board structure or composition such as number of directorship, tenure limit, gender diversity, etc. prescribed under the prevailing Companies Act, MMLR or the recommendation of the Malaysian Code of Corporate Governance.

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<sup>1</sup> Article 99 of the Constitution of the Company.

<sup>2</sup> Paragraph 15.02(1) of the MMLR prescribes that at least (a) two (2) or one-third (1/3) of the Board, whichever is the higher, must be independent director; and (b) one (1) director must be a woman.



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### **2.2 Maximum Directorship**

Directors may only serve a maximum of five (5) Board directorships with public listed companies in Malaysia.

### **2.3 Commitment by Directors**

Directors are to commit and devote sufficient time to:

- (a) discharge their responsibilities; and
- (b) update their knowledge and enhance their skills through appropriate continuing education programme to facilitate their active participation in Board deliberations. Each Director shall be allocated an annual training budget of RM6,000 for this purpose.

### **2.4 New Directorship**

A Director who desires to accept any new directorship with public listed companies should give prior notification to the Chairman.

### **2.5 Tenure Limit**

Presently the Board did not set any tenure limit for Directors as they are already subject to retirement in accordance with the provisions of the Constitution of the Company ("Constitution").

Pursuant to the Constitution, all Directors shall retire by rotation at least once in every three (3) years<sup>3</sup>. Newly appointed Director shall retire at the immediate annual general meeting following his/her appointment<sup>4</sup>. All retiring Directors can offer themselves for re-election.

Pursuant to MMLR, if the tenure of an independent Director exceeds a cumulative period of 12 years from the date of his or her first appointment as an independent director, such Director shall be re-designated as non-independent Director.

When assessing the independence of a Director, the Board will also take into consideration if the Director is independent of management and free from any business or other relationship which could materially interfere with his or her exercise of independent judgement.

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<sup>3</sup> Article 100(4)

<sup>4</sup> Article 107



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### **2.6 Board Diversity Policy**

The Board has identified the ideal board matrix, gap analysis and criteria for new Board appointments. In undertaking the process of reviewing and when the need arises for selection of potential candidates to fill in the vacancies on the Board, the Nomination Committee is mindful of the various diversity factors to strengthen the Board composition that meets the objectives and strategic goals of the Company.

When seeking out potential candidates for new appointment, the Board shall take into account the various diversity factors including ethnicity, gender and age distribution of the Directors to maintain a balanced Board composition.

Whilst the Board understands gender diversity is an important aspect of diversity, the final decision on selection of directors will be based on merit against the criteria set and after giving due regard for the benefits of diversity on the Board. Nonetheless, in line with paragraph 15.02(1)(b) of the MMLR, the Board shall ensure at least one female director is appointed on the Board.

The Board is also committed to building an inclusive and diverse culture and provides equal opportunities to all employees without discrimination against age, gender, ethnicity etc. The aim of the Company's recruitment policy on non-discrimination and fairness is designed to attract individuals from the broadest possible talent pool regardless of their gender and hire the best qualified candidate for the position, including for career advancement to senior leadership position, based on meritocracy. As such, the Board has not adopted a specific gender diversity target for senior management but will take into consideration the level of women participation which may benefit the Company.

### **2.7 Board Nomination, Selection and Appointment**

The appointment and re-appointment of Directors shall be recommended by the Nominating Committee ("NC") and approved by the Board as a whole.

When the need arises to appoint a new member, the Board will specify its requirements to the NC. In its search for a new member, the NC could refer to existing members of the Board to reach out to potential Board candidates, prior to engaging the services of external search firms.

In evaluating the suitability of a Board candidate, the NC will take into consideration the candidate's character, availability of time, expertise and experience as well as any other criteria specified by the Board. The NC will, in consultation with the Chairman, shortlist suitable candidates for the Board's consideration.



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### **2.8 Directors' Training and Continuing Education**

All directors are required to attend and complete the Mandatory Accreditation Programme pursuant to Practice Note 5 of MMLR.

Directors should, from time to time, enhance their skills and knowledge on areas relevant to their duties and responsibilities as Directors as well as to keep abreast with the regulatory changes and developments, by attending external training programmes and internally facilitated sessions and through reading materials.

### **2.9 Board's Access to Information**

All Directors will have direct access to the Company Secretary and senior management at any times, to request relevant information or to seek advice or explanation.

During the course of scheduled meetings, Directors will have access to the auditors (with or without management's presence) and the executive officers of the Company, who are invited to attend the meetings.

### **2.10 Board's Access to Independent Advice**

In furtherance of their duties, Directors may seek independent professional advice at the Company's expense if circumstances necessitate it.

Independent professional advice shall include legal advice and advice of accountants and other professional financial advisers on matters of law, accounting, governance and other regulatory matters.

Prior to incurring such expense, the Directors shall first consult the Chairman on the scope, nature, fees and professional firm in which advice is to be sought and obtain the relevant approvals corresponding to the quantum of the fees to be incurred as set out below:

- a) up to RM50,000 - approve by the Chairman
- b) above RM50,000 - approve by the Board

For the avoidance of doubt, the above procedures and limitations shall not apply to Executive Directors acting in the furtherance of their executive responsibilities and within their delegated power.



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### **2.11 Board Remuneration**

The Board as a whole shall determine the remuneration of the Directors. In determining the remuneration, the Board adopts the following guidelines:-

- a) a review of Directors' fees shall be conducted regularly, i.e. every two years;
- b) the fees review shall take into account the prevailing market practices of comparable companies in similar industry;
- c) Chairman and the chairman of the audit committee may be paid additional fee;
- d) Non-Executive Directors may be paid allowance based on prevailing market practices;
- e) the remuneration of Executive Directors is determined after taking into account prevailing market practices, current market conditions, inflationary costs, performance of the Company, etc.;
- f) Executive Directors shall determine the fees for the Non-Executive Directors and the latter shall abstain from deliberation or voting on their fees; and
- g) Executive Directors shall abstain from deliberation and approving their own remuneration.

### **3. BOARD'S STRATEGIC INTENT**

KESMI will capitalise on the strong market positioning it has created to ensure continuing leadership position.

### **4. BOARD'S ROLES AND RESPONSIBILITIES**

#### **4.1 Key values, principles and ethos of KESMI**

To shape the culture and define the character for the Company, KESMI will embrace the following corporate values depicted by the acronym "WE ASPIRE". In essence, these corporate values mean:

**Wisdom**      ... *knowledge acquisition and experience*

**Excellence**      ... *be the best and do with pride*

**Accuracy**      ... *being meticulous and disciplined*

**Selfless**      ... *teamwork, being co-operative and show respect to each other*



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<b>Passion</b>	<i>... showing enthusiasm, motivate and inspire others</i>
<b>Integrity</b>	<i>... promote trustworthy, transparent and ethical relationships</i>
<b>Responsive</b>	<i>... be alert, act fast and meet timelines</i>
<b>Effective</b>	<i>... aims to do it right the first time, pursue 360 degree communication and innovative solutions</i>

### **4.2 Role of the Board and Individual Directors**

#### **4.2.1 Role of the Board**

The Board is responsible for ongoing oversight of the Company and the Group. It is charged with leading and managing the Company and the Group in an effective and responsible manner.

#### **4.2.2 Role of Individual Directors**

Directors are expected to comply with their legal, statutory and equitable duties and obligations when discharging their responsibilities as Directors. Broadly these include:

- a) acting in good faith and in the best interests of the Company as a whole;
- b) acting with care and diligence and for proper purpose;
- c) avoiding conflict of interest with the Company in a personal or professional capacity; and
- d) refraining from making improper use of information gained through the position of director and from taking improper advantage.

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

#### **4.2.3 Role of Senior Independent Director**

The Chairman shall propose to the Board for approval the appointment of an independent Director as a Senior Independent Director, to whom concerns pertaining to the Company may be conveyed by shareholders on areas that are inappropriate or cannot be resolved through the normal channels of contact with the Chairman/CEO.



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### **4.3 Division of responsibilities and powers**

#### **4.3.1 Between the Board and management**

The Board oversees the business and affairs of the Company and will assume the responsibilities and perform the duties stipulated in the Constitution, Companies Act, MMLR and any applicable rules, laws and regulations including but not limited to:

- approve interim and final financial results and statements;
- approve interim dividend and recommendation of the final dividend;
- approve significant changes in accounting policies;
- appointment and removal of company secretary;
- recommend appointment and removal of auditors;
- approve remuneration of auditors (where shareholders have empowered the Board);
- put forward resolutions and corresponding documentation to shareholders for approval;
- approve announcements and circulars to shareholders;
- approve press releases;
- approve Board appointments and removals;
- approve the service terms and conditions of Chief Executive Officer and Executive Directors;
- approve terms of reference and membership of Board committees;
- approve the framework for risk management and internal control system;
- approve major investments, including mergers and acquisitions;
- recommend to shareholders on changes relating to the Company's Constitution, capital structure or its status as a public listed company;

and the following:



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- a) review and adopt the overall strategic plan for the Company and Group;
- b) oversee the conduct of the Group's businesses to evaluate whether they are being properly managed;
- c) monitor compliance with all relevant statutory and legal obligations;
- d) approve the annual budget of the Company and Group;
- e) approve credit facilities and borrowings of the Company;
- f) approve the opening and closure of bank accounts;
- g) identify principal risks and ensuring implementation of appropriate internal control and mitigating measures;
- h) oversee succession planning of senior management;
- i) oversee the development and implementation of a shareholder communication policy; and
- j) review the adequacy and integrity of the management information and internal control system.

The senior management, led by the CEO and guided by the approved strategic plans of the Company, shall develop the operating plans, puts such plans into actions, measures the actual results of its execution, analyses its actual performance against planned performance, implements corrective actions; and assumes, amongst others, the following duties and responsibilities:

- a) develop and implement the overall operating plans and direction of the Company and Group;
- b) ensure compliance with all relevant statutory and legal obligations;
- c) implement a proper risk management system and its associated internal controls;
- d) develop programs for better investor relations and shareholder communications;
- e) develop and implement policy and procedures to ensure adequate and integrity of the management information and internal control system; and





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- f) implement effective corporate governance structures and its associated internal controls system.

### **4.3.2 Committees established by the Board**

The Board may from time to time establish committees as it considered appropriate to assist in carrying out its duties and responsibilities. The Board has established the following committees (“the Committees”) to assist it in the discharge of its responsibilities:

- a) Audit Committee; and
- b) Nominating Committee.

The Committees operate under clearly defined terms of reference, with clear authority by the Board to deal with and to deliberate on matters delegated to them. The chairman of the respective Committees shall report to the Board on the outcome of their meetings but such reporting could be dispensed with if directors (who are non-committee members) are already invited to attend the Committees’ meetings.

### **4.3.3 Chairman and the Chief Executive Officer**

#### *Chairman*

The Chairman is responsible for the overall leadership and efficient functioning of the Board. The key roles of the Chairman are as follows:

- a) liaise with the Executive Director and Company Secretary to set the agenda for Board meetings;
- b) ensure the Board is provided with adequate and timely information to facilitate decision-making;
- c) conduct Board meetings and ensure discussions are undertaken in an open, constructive and efficient manner;
- d) encourage all Directors to play an active role in Board activities;
- e) chairs general meetings of shareholders;
- f) provide guidance on governance matters; and
- g) promote constructive and respectful relations amongst Board members and between the Board and the Management.



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### *Chief Executive Officer (“CEO”)*

The CEO is responsible to the Board for the day-to-day operations of the Company and the Group. The key roles of the CEO are as follows:

- a) develop the business strategic direction, plans and policies of the Group;
- b) ensure the efficient and effective operation of the Group, by ensuring the executive officers implements the policies and strategies adopted by the Board;
- c) ensure that the operational planning and control systems are in place; and
- d) monitor performance results against plans and taking remedial action, where necessary.

#### **4.4 Processes and procedures for Board meetings**

The Board will meet as frequently as it considers appropriate or when circumstances warrant. The Board will strive to meet on a scheduled basis, at least five (5) times a year.

Notice of meeting will be sent to the Directors at least seven (7) days prior to the meeting. A Board pack for the meeting will be accompanied by relevant materials, background or explanatory information relating to the matters to be brought before the meeting. Directors are expected to peruse in advance such Board materials in order to facilitate meaningful deliberation during each meeting.

All Directors should commit to attend Board or Committee meetings. If a Director is unable to attend the meetings physically due to unforeseen circumstances, he or she must notify the chairman of the Board or Committees (as applicable) at least two (2) working days<sup>5</sup> prior to the meeting and should strive to participate by teleconference unless it is impracticable to do so.

Proceedings of Board meetings shall be governed by the Company’s Constitution.

The Company Secretary or her deputy shall attend and take minutes of all meetings. The minutes shall be reviewed by the chairman before they are tabled to the Board or Committees (as applicable) at the next meeting for confirmation.

The executive officers of the Company, auditors, consultants or advisors who can provide additional insight into the relevant matters at hand may be invited to attend part or all of the meetings, at the discretion of the chairman of the Board or Committees (as applicable).

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<sup>5</sup> This is to give reasonable time to make alternative logistic arrangement.



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In between scheduled meetings, the Board and the Committees may resolve and approve the Company's matters through resolutions in writing ("Circular Resolutions") circulated to all the Directors.

### **5. CHARTER REVIEW**

The Board will review this Charter from time to time and make the necessary amendments to ensure that it remains consistent with the Board's objectives, the needs of the Company, applicable laws and practices.

This Charter shall be made available on the website of the Company.

This Charter was first adopted by the Board on 10 July 2013 and amended on 11 July 2016, 11 July 2018, 27 May 2021, 8 March 2022 and last revised on 13 July 2023.