

## **Board Charter**

### **1. Preamble**

The enhancement of CG standards is vital towards achieving the objectives of transparency, accountability and effective performance for the Ho Hup Construction Company Berhad Group ("the Group"). It is with the aim of enshrining concepts of good governance as promulgated in the Malaysian Code on Corporate Governance ("the Code") that this Board Charter ("Charter") is established.

The Charter serves as a reference point for Board activities and should not be construed as a blueprint for Board operations. Just as each organization has its own corporate culture, the dynamics of each Board is unique. The dynamics shift as the composition of the Board changes, and the Directors of Ho Hup Construction Company Berhad ("Ho Hup" or "the Company") should always be open to new opportunities and ready to confront new challenges brought about by change.

This Charter is designed to provide guidance and clarity for Directors and Management with regard to the role of the Board and its committees, the requirements of Directors in carrying out their role and in discharging their duties towards the Company as well as the Board's operating practices.

### **2. Interpretation**

#### **2.1 In this Charter:**

"Board" means the board of directors of the Company;

"Business" means the business of the Company;

"Chairman" means the chairman of the Board and is used in a gender neutral sense;

"Company Secretary" means the Board secretary(ies) or the person(s) normally exercising the functions of a Board secretary;

"Management" means the management personnel of the Company;

"Senior Management" means the Chief Financial Officer of Ho Hup, the Heads of Divisions and the Chief Operating Officers of the subsidiary companies of the Group.

"Shareholders" means the Shareholders of the Company.

"ED" means the Executive Director of the Company.

"Independent Director" is defined in accordance to Paragraph 1.01 of the Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements. An Independent Director is a Director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of an applicant or the Company. Without limiting the generality of the foregoing, and independent Director is one who: -

- a) is not an Executive Director of the Company or any related corporation of the Company;
- b) has not been within the last two (2) years and is not an officer (except as Independent Director) of the Company or related corporation of the Company. For this purpose, "officer" shall have the meaning given in section 4 of the Companies Act 1965;
- c) is not a major Shareholder of the Company, or any related corporation of the Company. Major Shareholder shall carry the same meaning as that prescribed under Paragraph 1.01 of the BMSB Listing Requirements;
- d) is not a relative of any Executive Director, officer or major Shareholder of the Company or its related corporation. For this purpose, "relative" means the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child;
- e) is not acting as a nominee or representative of any Executive Director or major Shareholder of the Company or any of its related corporation;
- f) is not engaged as a professional adviser by the Company or any of its related corporation either personally or through a firm or company of which he is a Partner, Director or major Shareholder, as the case may be; or
- g) has not within the last two (2) years and does not engage in any transaction with the Company or its related corporation, whether by himself or with other persons or through a firm of which he is a Partner, Director or major Shareholder, as the case may be, the value of which exceeds RM250,000.

"Listing Requirements" means the BMSB Listing Requirements.

### **3. Role of the Board**

- 3.1 The Board is responsible for the stewardship of Ho Hup's business and affairs on behalf of the shareholders with a view to enhancing long term Shareholder value whilst taking into account the interests of other Stakeholders and maintaining high standards of transparency and accountability.
- 3.2 The Board reserves a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. This includes strategic issues and planning, performance reviews, material acquisition and disposal of assets, capital expenditure, authority levels, treasury policies, risk management policies, appointment of auditors and review of the financial statements, financing and borrowing activities, ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls.
- 3.3 The principal responsibilities of the Board as adopted from the Code are:
  - 3.3.1 reviewing and adopting a strategic plan for the Company;

- 3.3.2 overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
  - 3.3.3 identifying principal risks and ensure the implementation of appropriate systems to manage these risks;
  - 3.3.4 succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing executive directors and Senior Management;
  - 3.3.5 developing and implementing an investor relations programme or shareholder communications policy for the Company;
  - 3.3.6 reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
  - 3.3.7 determining the remuneration of Non-Executive Directors, with the individuals concerned abstaining from discussions of their own remuneration; and
  - 3.3.8 ensuring that the Company adheres to high standards of ethics and corporate behaviour.
- 3.4 In overseeing the conduct of the Group's business, the Board shall ensure that an appropriate financial planning, operating and reporting framework as well as an embedded risk management framework is established. Elements under this combined framework include the operating plan and budget, financial statements, divisional strategic/performance reviews reports and risk management reports.

#### **4. Board Structure**

##### **4.1 Board Balance and Mix**

- 4.1.1 The Board recognises the importance of independence and objectivity in the decision making process. At least one third of the Board is to comprise of Independent Non-Executive Directors.
- 4.1.2 It is also important for the Board to keep its size at a reasonable level (Ho Hup's Articles of Association allows a minimum of two (2) and a maximum of Twelve (12) directors). Boards that are too small or too large may significantly limit the level of individual participation, involvement and effectiveness. The Board shall from time to time examine its size with a view to determine the impact of its number upon its effectiveness.
- 4.1.3 The Board recognises the need for the composition to reflect a range of skill mix and expertise. High levels of professional skills and appropriate personal qualities are prerequisite for directorships. Without limiting the generality of the foregoing, the qualifications for Board membership are the ability to make informed business decisions

and recommendations, an entrepreneurial talent for contributing to the creation of shareholder value, relevant experience, the ability to appreciate the wider picture, ability to ask probing operational related questions, high ethical standards sound practical sense, and total commitment to furthering the interests of shareholders and the achievement of the Company's goals.

- 4.1.4 The Board also recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to ensure a balance of power and authority. It is the policy of the Board to keep the roles of the Chairman and the MD separate.

## **4.2 Role of the Chairman (Non-Executive)**

- 4.2.1 The Chairman (Non-Executive) carries out a leadership role in the conduct of the Board and its relations to Shareholders and other Stakeholders. The Chairman is primarily responsible for:

- Representing the Board to shareholders;
- Ensuring the integrity of the governance process;
- Maintaining regular dialogue with the ED over all operational matters and consulting with the remainder of the Board promptly over any matters that gives him/her cause for major concern;
- Functioning as a facilitator at meetings of the Board to ensure that no member, whether Executive or Non-Executive dominates discussion, that appropriate discussions takes place and that relevant opinions among members is forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes;
- Ensuring that all Directors are enabled and encouraged to participate in its activities. This includes ensuring that all relevant issues are on the agenda and that all Directors receive timely, relevant information tailored to their needs and that they are properly briefed on issues arising at Board meetings;
- Ensuring that Executive Directors look beyond their executive function and accept their full share of responsibilities of governance;
- Guiding and mediating Board actions with respect to organisational priorities and governance concerns;
- Undertaking the primary responsibility for organising information necessary for the Board to deal with items on the agenda and for providing this information to Directors on a timely basis; and
- Performing other responsibilities assigned by the Board from time to time.

### **4.3 Role of the ED**

- 4.3.1 The position of the ED in essence is to ensure the effective implementation of the Group's strategic plan and policies established by the Board as well as to manage the daily conduct of the business to ensure its smooth operation.
- 4.3.2 The ED, in association with the Chairman, is accountable to the Board for the achievement of the Group's goals and objectives and the MD is accountable to the Board for the observance of management limitations.
- 4.3.3 At each of its scheduled meetings, the Board should expect to receive from or through the ED:
- Summary reports on the performance and the activities from the Company's subsidiaries and specific proposals for capital expenditures and acquisitions; and
  - Such assurances as the Board considers necessary to confirm that the management limitations are being observed.
- 4.3.4 The ED is expected to act within all specific authorities delegated to him or her by the Board.
- 4.3.5 Generally, the ED is responsible to the Board for the following:
- Executive management of the Group's business covering, inter alia, the development of a strategic plan; an annual operating plan and budget; performance benchmarks to gauge management performance against and the analysis of management reports;
  - Assisting the Chairman with ensuring the integrity of the governance process;
  - Effectively oversee the human resources of the organisation with respect to key positions in the Group hierarchy, determination of remuneration as well as terms and conditions of employment for Senior Management and issues pertaining to discipline of all employees';
  - Assures the Group that its corporate identity, products and services are of high standards and are reflective of the market environment;
  - Assist the Chairman in organising information necessary for the Board to deal with the agenda and for providing this information to Directors on a timely basis; and
  - Performing other responsibilities assigned by the Board from time to time.

#### **4.4 Role of Senior Independent Director**

- Ensure all Independent Directors have an opportunity to provide input on the agenda, and advise the Chairman on the quality, quantity and timeliness of the information submitted by Management;
- Consult the Chairman regarding Board meeting schedules to ensure the Independent Directors can perform their duties responsibly and with sufficient time for discussion of all agenda items;
- Serve as the principal conduit between the Independent Directors and the Chairman on sensitive issues, for example issues that arise from “whistle blowing”; and
- Serve as a designated contact for consultation and direct communication with Shareholders on areas that cannot be resolved through the normal channels of contact with the Chairman or ED.

#### **4.5 Tenure of Directors**

- 4.5.1 Pursuant to the Company’s Articles of Association, all Directors must retire once at least every three (3) years but shall be eligible for re-election.
- 4.5.2 There is a maximum age of 70 for Directors. However, a Director who has attained the age of 70 may be reappointed as a Director until the next annual meeting provided that the resolution must be passed by a majority of not less than three quarters of such members of the Company present and voting who, being entitled to do so, vote in person or by proxy at the General Meeting of the Company.
- 4.5.3 The tenure of the Executive Directors is tied to their Executive Office.

#### **4.6 Company Secretary**

- 4.6.1 The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board recognises the fact that the Company Secretary should be suitably qualified and capable of carrying out the duties required of the post.
- 4.6.2 The key role of the Company Secretary is to provide unhindered advice and services for the Directors as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.
- 4.6.3 Other primary responsibilities of the Company Secretary shall include:
  - Advising the Board on matters related to CG;
  - Ensuring that Board procedures and applicable rules are observed;

- Maintaining records of the Board and ensure effective management of organisation's records;
- Preparing comprehensive minutes to document Board proceedings and ensure effective conclusions are accurately recorded;
- Assisting the communications between the Board and Management; and
- Carrying out other functions deemed appropriate by the Board from time to time.

#### **4.7 Board Committees**

- 4.7.1 The Board reserves the right to establish Committees from time to time in the discharge of its duties and responsibilities. Where a Committee is formed, specific terms of reference of the Committee would be established to cover matters such as the purpose, composition and functions of the Committee.
- 4.7.2 A number of standing committees with written terms of reference has been established namely the following: -

##### **Audit Committee**

The Audit Committee assists and supports the Board's responsibility to oversee the Group's operations by providing a means for review of the Group's processes for producing financial data, its internal controls and independence of the Group's external and internal auditors. The terms of reference of the Audit Committee is attached under Appendix-1.

##### **Nomination Committee**

The Nomination Committee oversees matters related to the nomination of new Directors, annually review 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, its Committees and the contribution of each individual Director. The terms of reference of the Nomination Committee is attached under Appendix-2.

##### **Remuneration Committee**

The Remuneration Committee is primarily responsible to recommend to the Board the remuneration of Executive Directors in all its forms, drawing from outside advice if necessary. The terms of reference of the Remuneration Committee is attached under Appendix-3.

#### **4.8 The Board's Relationship with Shareholders and Stakeholders**

- 4.8.1 The Board will maintain an effective communications policy that enables both the Board and Management to communicate effectively with its Shareholders, Stakeholders and the public generally.

4.8.2 It is the role of the Board to ensure that the Annual General Meeting (“AGM”) is conducted in an efficient manner and serve as a crucial mechanism in shareholder communications. Key ingredients behind this include the supply of comprehensive timely information to Shareholders and the encouragement of active participation in the AGM. The Board will focus its efforts on the following best practices to enhance the value of the general meeting:

- Ensure that each item of special business included in the notice to be accompanied by a full explanation of the effects of the proposed resolution;
- For re-election of Directors, ensure that the notice of meeting states which Directors are standing for election or re-election with a brief description to include matters such as age, relevant experience, list of directorships, date of appointment to the Board, details of participation in Board Committees and the fact that a particular director is independent;
- Ensure that the Chairman provides reasonable time for discussion at the meeting. Where appropriate, the Chairman will also undertake to provide the questioner with a written answer to any significant question which cannot be answered immediately; and
- Conduct a business presentation with a question and answer session.

## **5. Board Processes**

### **5.1 Board meetings**

5.1.1 Meetings will be conducted at least on a bi-monthly basis. The Company Secretary shall prepare and distribute a timetable for all required to attend the meetings.

5.1.2 Board members are required to attend the Board meetings. However, other Senior Management may be invited to attend for particular items within their responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when the need arises.

5.1.3 Additional formal business is dealt with as required, whether by physical, videoconferencing or telephonic meetings, as well as other electronic meetings defined in the Articles of Association. All resolutions, attendance, transactions, quorums and votes obtained through electronic means shall be deemed valid and effective unless it contravenes the requirements of relevant statutes and regulations.

### **5.2 Agenda**

5.2.1 The notice of a Directors’ meeting should be given in writing at least three (3) days prior to the meeting. The Chairman in conjunction with

the Executive Directors and the Company Secretary shall undertake the primary responsibility for preparing the Board's agenda. The agenda should include matters specifically reserved for the Board's decision.

### **5.3 Meeting papers**

- 5.3.1 As a matter of best practice and to allow ample time for the Directors to consider the relevant information, Board papers and agenda items are to be circulated in advance of the meeting. It is recommended that when there is a need to table a report, a brief previous of findings and/or recommendations is prepared.
- 5.3.2 Minutes are prepared within fourteen (14) days following a Board meeting and are circulated in draft form. The draft minutes will be re-circulated with the Board papers in readiness for signing at the following meeting.
- 5.3.3 If one or more Directors request their opinion to be noted, the Company Secretary shall comply with the request.

### **5.4 Access to Information**

- 5.4.1 A record of submission and papers and materials presented to the Board, is maintained and held by the Company Secretary together with minutes of meetings, and is accessible to the Directors.
- 5.4.2 All Directors (Executive and Non-Executive) have the same right of access to information relevant to the furtherance of their duties and responsibilities as directors of the Company.

### **5.5. Independent Professional Advice**

- 5.5.1 The Board as well as any Director is entitled to obtain independent professional advice relating to the affairs of the Group or to his or her responsibilities as a Director, subject to paragraph 5.5.2 below.
- 5.5.2 If a Director considers such as advice necessary for the discharge of his or her duties and responsibilities as Director and for the benefit of the Company, such Director shall obtain the Board's prior approval, and in seeking such advice, shall be required to comply with the following procedures:-
  - The request shall be made in writing to the Board;
  - The Director concerned shall prepare a detailed paper to be submitted to the Board. The paper shall highlight, inter alia, the purpose behind the request and the estimated costs of the advice; and

- The Board shall deliberate on the said paper, and at its absolute discretion determine if the Director concerned shall be permitted to seek independent professional advice. Should a request be denied, the Director concerned is entitled to have his views duly recorded.
- 5.5.3 The cost of the advise will be reimbursed by the Company. The Board or the member, as the case may be, will however ensure that, so far as is practicable, the cost is reasonable.

## **5.6 Induction Process**

- 5.6.1 The objective of the induction process is to provide directors with a rapid and clear insight into the Company. This will enable the directors to discharge their duties and responsibilities effectively.
- 5.6.2 Induction of Directors may include (but not limited to) the following:
- Time with other executive directors (in particular the Chairman, the Company Secretary and, if the independent director is a functional specialist, his or her counterpart);
  - Furnishing of a copy of the previous board minutes for at least the past six (6) months; the business/strategic plan, pertinent management reports; profile of key competitors and significant reports by management consultants on areas of Board responsibilities;
  - Visits to key sites (including overseas location, if the business is strongly international); and
  - A formal 1-2 days induction programme, including many of the elements above, but also presentations from various divisions on their strengths, weakness and ambitions.

## **5.7 Directors' External Commitments and Conflict of Interest**

- 5.7.1 The Company's Articles of Association stipulates that, every director who may have direct or indirect interest in any contracts or proposed contract or arrangement with the Company shall immediately declare his interest to the Board and shall not participate in deliberations and shall abstain himself from casting his votes in any matter arising there from.
- 5.7.2 Should there be an actual, potential or perceived conflict of interest between a Company and a Director, or an associate of a Director such as a spouse, other family member, or a related company, the director involved shall make full disclosure and act honestly in the best interest of the Company.
- 5.7.3 An actual, potential or perceived conflict of interest shall not necessarily disqualify an individual director from the Board provided that full disclosure of the interest has been made in good faith and due honesty.

## **5.8 Representation of the Company**

- 5.8.1 The Board looks to the Chairman to speak on behalf of Ho Hup and to manage the communication of information to Investors, other Stakeholders and the public in an orderly and effective manner while adhering, at all times, to relevant laws and regulatory requirements.
- 5.8.2 Non-Executive Directors with the possible exception of the Chairman, should avoid commenting on the Company to external audiences. This is to avoid confusion and to ensure that the Board speaks in one voice.

## **5.9 The Company's Constitution and Management's Limits**

- 5.9.1 The Board operates pursuant to the powers and subject to rules in the Ho Hup's Memorandum and Articles of Association as adopted by the Shareholders in general meeting.
- 5.9.2 The Management is expected to act within all specific authorities delegated to it by the Board.
- 5.9.3 The Management is expected not to cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics.