

IKHMAS JAYA GROUP BERHAD

BOARD CHARTER

1. INTRODUCTION

The Board Charter sets out the role, composition and responsibilities of the Board of Directors of Ikhmas Jaya Group Berhad (“IJGB” or “the Company”).

The Board is accountable to IJGB’s shareholders and stakeholders for the corporate governance and performance of the IJGB Group and is also committed to achieving the highest standards of business integrity, ethics and professionalism across the IJGB Group’s activities.

2. PURPOSE

The Board Charter sets out the principal role of the Board, the demarcation of the roles, functions, responsibilities and power of the Board and 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 and stakeholders.

3. BOARD COMPOSITION AND BALANCE

(a) Size and Composition

The Board should comprise of qualified individuals with diverse experience, background and perspective to enable them to discharge their duties and responsibilities effectively. The composition and size of the Board is such that it facilitates the decision making of the Company. Pursuant to the Articles of Association of the Company, the Board shall not be less than two (2) directors and more than 12 directors.

As prescribed by the Listing Requirements, at any one time, at least two (2) directors or one-third (1/3), whichever is higher, of the Board members must be Independent Directors. However, the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director to ensure balance of power and authority on the Board.

The basis for the presence of an independent voice on the Board is to ensure that objectivity in decision-making of the Board is achieved and that no single party can dominate such decision-making in the Company.

The Independent Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of shareholders

and stakeholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

The tenure of an Independent Director shall not exceed a cumulative term of 9 years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director being re-designated as a Non-independent Director. In the event the Director is to remain as Independent Director, the Board shall first justify and obtain shareholders' approval.

The Board shall appoint a Senior Independent Director who will also attend to any query or concern raised by shareholders.

The Board adopts the policy to provide a diversity and equality work environment throughout the Company that is free of discrimination of any form whether based on an individual's gender, race, ethnicity, age and religion. As such, the evaluation of the suitability of Board composition shall purely be based on the candidate's competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company.

The Board collectively, and each Director individually, has the rights to seek independent professional advice at the Company's expense, subject to the approval of the Chairman or in the Chairman's absence, the Board.

(b) Appointments and Re-election/Re-Appointment

The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination and Remuneration Committee. New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Company.

All newly appointed Directors will be subject to retirement at the next Annual General Meeting and is eligible for re-election.

At the Annual General Meeting in every subsequent year one-third (1/3) of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to one-third (1/3) shall retire from office and shall eligible for re-election provide always that each Director shall retire from office at least once in every three (3) years but shall eligible for election.

The directorships held by any Board member at any time shall not exceed five (5) in listed companies.

(c) Independence of Director

An Independent Director is independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.

The Board undertakes to assess the independence of its Independent Directors upon appointment, annually and when any new interest or relationship develops.

(d) New Directorship and Time Commitment

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

The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company.

4. BOARD PERFORMANCE/DIRECTORS' ASSESSMENT

The Board recognises the importance of assessing the effectiveness of individual Directors, the Board as a whole and its Committees. The Board shall at least annually review and evaluate its own performance and the performance of its Committees.

5. ROLES AND RESPONSIBILITIES

(a) Roles of the Board

The Board oversees the business and affairs of the Company and will assume, amongst others, the following duties and responsibilities:

- i. reviewing and approving the overall strategic plans and direction of the Company and Group;
- ii. ensuring that the statutory accounts of the Company are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
- iii. reviewing and approving annual budgets, business expansion, restructuring plans, material acquisitions and disposals and issuance of new securities;
- iv. overseeing and evaluating the conduct and performance of the Company and Group;
- v. identifying principal risks and ensuring implementation of a proper risk management system;
- vi. establishing a succession plan;

- vii. overseeing the development and implementation of a shareholder communication policy for the Company;
- viii. reviewing the adequacy and the integrity of the management information and internal controls system of the Company; and
- ix. be responsible for the overall corporate governance of the Group, including environmental and social impact and the Group's strategic direction, establishing goals for Management and monitoring the achievement of these goals.

(b) Responsibilities of Chairman

The role of the Chairman is to ensure that the Board is functioning effectively and to undertake among others, the following activities:

- i. Providing leadership to the Board;
- ii. Monitor and manage the workings of the Board, especially the conduct of Board meetings;
- iii. Ensure that material matters in respect of the business or governance of the Company or the Group are tabled and ventilated effectively for Board decision making;
- iv. Encourage all Directors to play an active role in Board activities; and
- v. Chair all meetings with the shareholders, i.e. Annual General Meeting and Extraordinary General Meeting.

(c) Responsibilities of the Group Managing Director

The Group Managing Director is responsible for, amongst others:-

- i. Acting as the primary conduit between the Board and Management to ensure compliance of corporate governance;
- ii. Develop strategic direction of the Company and Group;
- iii. Ensure Board decisions are implemented and Board directions are responded to;
- iv. Provide directions in the implementation of business plans, policies and strategic plans approved by the Board;
- v. Keep Board fully informed of all important aspects of the Group's operations and ensure sufficient information are distributed to Board members; and
- vi. Ensure day-to-day business affairs of the Group are effectively managed.

(d) Board Committees

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:

- i. Audit and Risk Management Committee
- ii. Nomination and Remuneration Committee

The committees shall operate under clearly defined terms of reference. The committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their terms of reference. The Chairman of the respective committee reports to the Board on the outcome of the committee meetings and the minutes will be included in the Board Papers for Board's notification.

(e) Board Meetings

The Board shall schedule at least four (4) quarterly meetings annually. However, Special Meetings may be convened as required.

The Notice of Board Meeting, full agenda and the supporting Board Papers should be given in advance of each Board Meeting and Directors are expected to review in advance any such materials in order to facilitate meaningful deliberation during each meeting.

(f) Directors' Remuneration

The Company shall provide a fair and reasonable, competitive, remuneration for its executive directors to ensure that the Company attracts and retains high calibre executive directors who have the skills, experience and knowledge to increase entity value to the benefit of all shareholders.

The non-executive Directors will receive a fixed base fee, not by a commission or on percentage of profits/turnover, as consideration for their Board duties. The aggregate amount of directors' fees to be paid to non-executive directors is subject to the approval of the shareholders at a General Meeting.

(g) Directors' Training and Continuing Education Programme

In addition to the Mandatory Accreditation Programme as required by the Bursa Malaysia Securities Berhad, the Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programmes. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations.

The Board will assess the training needs of the Directors from time to time and will ensure Directors have access to continuing education programme.

(h) Internal Controls and Risk Management

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of Group's system of internal controls.

The Board ensures a review on the adequacy and effectiveness of the risk management and internal control system is undertaken annually, and there are no significant control failures or weaknesses that will result in material misstatements, losses or fraud.

The Board ensures that an assurance from the Group Managing Director and Chief Financial Officer to the Board is obtained annually confirming the Company's risk management and internal control system are adequate and effective taking into account all significant aspects.

(i) Financial Reporting

The Company aims to present a clear and balanced assessment of the Company's financial position and prospects for its financial statements and quarterly announcements to the shareholders, including other price sensitive public reports and reports submitted to regulators.

The Board will ensure that the financial statements are prepared in accordance with the Companies Act and the applicable approved accounting standards set out by the Malaysian Accounting Standards Board so as to present a true and fair view of the state of affairs of the Group.

6. COMPANY SECRETARY

The Board appoints the Company Secretary who plays an important advisory role and ensure that the Company Secretary fulfils its function for which he/she has been appointed.

The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group.

The Company Secretary shall be of a senior position with adequate authority and shall report directly to the Board. The appointment and removal of the Company Secretary will be subjected to the approval of the Board.

7. MATTERS RESERVED FOR THE BOARD

Matters specifically reserved for the Board's decision include reviewing and approving the following:

- i. Appointment of new Directors and Chairman (Board and Board Committees);

- ii. Changes to the Articles of Association/Constitution;
- iii. Alterations of capital and new issuance of securities;
- iv. Modification to class rights;
- v. Corporate restructurings;
- vi. Payment of interim dividend and recommendation of final dividend for shareholders' approval;
- vii. Significant related party transactions and capital financing;
- viii. Decisions on material transactions/major investments and matters that have significant impact to the Group;
- ix. Major capital expenditure, acquisitions or disposal of a business or assets in excess of authority levels delegated to management; and
- x. Other transactions requiring Board and shareholders' approval.

8. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Board members, collectively or individually, have full and unrestricted access to the advice and services of the senior management and the Company Secretary(ies).

There is no restriction for Directors to obtain independent professional advice in furtherance of their duties at the Company's expense, so as to ensure the Directors are able to make independent and informed decisions.

9. BOARD AND MANAGEMENT RELATIONSHIP

- i. The Board will link the Company's governance and management functions through the Executive Director(s).
- ii. All Board authority conferred on management is delegated through the Executive Director(s) so that the authority and accountability of management is considered to be the authority and accountability of the Executive Director(s) so far as the Board is concerned.
- iii. The Executive Director(s) is (are) expected to keep the Board informed on all important matters.

10. CONFIDENTIALITY AND DISCLOSURE OF INTEREST

The Directors are required to act in the best interests of the Company. The Directors also have a duty of confidentiality in relation to the Company's confidential information.

A Director should disclose to the Board:

- 1. any material personal interest they have in a matter which relates to the affairs of the Company; and
- 2. any other interest (direct or indirect) which the Director believes is appropriate to disclose in order to avoid any conflict of interest or the perception of a conflict of interest.

The disclosure should be made as soon as practicable after the Director becomes aware of their interest. Details of the disclosure must be recorded in the minutes of the meeting at which the disclosure is made or the meeting held following the disclosure.

11. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Company is committed to ensure that shareholders are well-informed of all major developments affecting the state of affairs of the Company. To achieve this, the Company has implemented amongst others, the following:

- i. timely release of announcements and disclosures to Bursa Malaysia Securities Berhad, which include quarterly financial results, material contract and any other material information that may affect the investors' decision making;
- ii. conducts regular dialogues with financial analysts as a means of effective communication that enables the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests;
- iii. press conference which is normally held after the Annual General Meeting/Extraordinary General Meeting to provide the media an opportunity to receive an update from the Board on the proceedings at the meetings and to address any queries from the media
- iv. encourage full participation of shareholders at all Annual General Meetings to ensure a high level of accountability and discussion of the Company's strategy and goals. The Company will also invite the external auditor to attend the Annual General Meeting and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report

Shareholders can gain access to information about the Company including the summary of the Group's investor relation activities and media releases through the Company's website, www.ikhmasjaya.com.

12. CODE OF ETHICS AND CONDUCT

The Directors are expected to conduct themselves with the highest ethical standards. All Directors and employees are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of the Company.

The Group communicates the Code to all Directors and employees upon their appointment/employment and is deemed to be part of the Terms and Conditions of Service.

13. REVIEW OF BOARD CHARTER

This Board Charter has been reviewed by the Board on 18 April 2018 and is made available for reference on the Company's website, www.ikhmasjaya.com.

The Board will review this Charter from time to time and make the necessary amendments to ensure that they remain consistent with the Board's objective, current law and practices.