

## **QUALITY CONCRETE HOLDINGS BERHAD (378282-D)**

The Board Charter Clearly defines the respective roles, responsibilities and authorities of the Board of Directors (“Board”) and management in ensuring achievement of good corporate governance and compliance with various legislation and regulation when setting the direction, management and the control to the Company.

### **A. BOARD RESPONSIBILITIES**

The Board of Directors (“Board”) is responsible for the proper stewardship of the Company and its subsidiaries (collectively called “Group”).

The principle responsibilities of the Board are as follows:

1. review and adopt strategic plan, as developed by Management of the Company, annual budgets and long-term business plans, taking into account the sustainability of the Company’s business;
2. oversee the conduct and governance of the Company’s business and evaluating whether or not its businesses are being properly managed;
3. identify principal business risks faced by the Group, and ensuring the implementation of appropriate internal control systems to manage such risks;
4. overseeing the succession planning and human resource plan;
5. maintaining shareholder and investor relations for the Company; and
6. review the adequacy and integrity of the Group’s internal control systems

A Director’s responsibilities include, inter alia:

1. To be aware of the Group’s operating environment and promote safety and soundness of the Group.
2. To be diligent in undertaking his duties and avoid conflict of interest situation.
3. To understand his oversight role and exercise independent judgment in decision-making.
4. To devote adequate time and attention to discharge his duties and responsibilities effectively.
5. To contribute actively to the functions of the Board and be able to provide sound and objective advice.

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

### **B. 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 Main Market Listing Requirements.

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 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") and Remuneration Committee ("RC"), on the appointment of a new Director, 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.

In accordance with the Malaysian Code on Corporate Governance 2012 ("Code 2012"), 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.

On Boardroom Diversity, the Board is supportive of the gender Boardroom Diversity recommended by Code 2012. The Board through the NC will review the proportion of the female to male Board Members during the Annual Assessment of the Directors' performance taking into consideration the appropriate skills, experience and characteristics required of the Board Members, in the context of the needs of the Group.

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

## **2. Role of Chairman**

The Chairman represents the Board to the Shareholders. The Chairman is responsible for ensuring the integrity and effectiveness of the governance processes of the Board.

The key roles and accountabilities of the Chairman include:

1. Representing the Board to the shareholders and to the general public for performance;
2. Managing Board communications and ensuring the integrity and effectiveness of the governance process of the Board;
3. Creating conditions for good decision making during Board and Shareholders meetings;
4. Ensuring Board proceedings are in compliance with good conduct and best practices;
5. Protecting the interest and provide for the information needs of various Stakeholders;
6. Ensuring that quality information to facilitate decision-making is delivered to the Board on timely manner; and
7. Ensuring compliance with all relevant regulations and legislation.

## **3. Role of Executive Director (Including Managing Director)**

Executive Directors hold the primary executive responsibility of the Group's business performance and manage the Group in accordance with the strategies and policies approved by the Board.

The key roles and responsibilities of the Managing Director include:

1. Achievement of Company's goal and observance of management authorities delegated by the Board;
2. Developing long term strategies and short term business plans, designed to enable the Company's requirements for growth, profitability and return on capital are achieved;
3. Directing all aspects of the business operation in conjunction with corporate strategy; and

4. Overseeing human capital with respect to key positions in the Group's hierarchy and ensuring the general well-being of employees, including the determination of remuneration as well as terms and conditions of employment of senior management personnel and issues pertaining to discipline of all employees.

### **3. Role of Non-Executive Directors**

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

### **4. 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.

## **C. BOARD STRUCTURE AND PROCEDURES**

### **1. Board Committees**

The Board may delegate specific matters to individual members or Committees of the Board to oversee critical or major functional areas and to address matters which require detailed review or in-depth consideration. All such Committees must be provided with written Terms of Reference that state clearly the extent and limits of their responsibilities and authority, specifically whether they have authority to decide on behalf of the Board or are to report back to the Board.

There shall be established the following committees:

- Audit Committee;
- Nomination Committee;
- Remuneration Committee, and
- Risk Management Committee.

The respective committees' Terms of Reference are set out in the Appendices C, D, E and F.

### **2. Board Meetings**

The Board meets at least twice (2) annually, with additional meetings being convened as and when necessary.

For the Board to deliberate effectively on agenda of meetings, relevant meeting papers or proposals will be furnished prior to and in advance of each meeting. This enables the Board to study the facts

and have productive discussion and make informed decision at the meeting. . At each Board meetings, the Board reviews the business performance of the Group and discusses major strategic, operational, compliance and financial issues. The Chairman of the Audit Committee briefs the Directors at each Board meeting the salient matters deliberated by the Audit Committee and which require the Board's attention or direction, including approval, as the case may be. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretary by way of minutes of meetings, which are confirmed by the Chairman at the next meeting.

Minutes of proceedings and resolutions passed at each Board and Board Committees Meetings are kept in the minutes book at the registered office of the Company. In the event of a potential conflict of interest, the Director in such position will make a declaration to that effect as soon as practicable. The Director concerned will then abstain from any decision-making process in which he has an interest in.

### **3. Access to Information**

All Directors are provided with an agenda and a set of Board papers prior to Board meetings. This is issued in sufficient time to enable the Directors to prepare and deliberate on the issues prior to the meeting.

Senior Management members are also invited to attend Board Meetings to provide the Board with their views and explanation on certain agenda items tabled to the Board, and to clarify on issues that have been raised by Directors.

All Directors have access to the advice and services of the Company Secretaries, who is responsible for ensuring that Board Meeting procedures are adhered to and that applicable rules and regulations are complied with. The Board is updated and advised by the Company Secretaries from time to time on new statutes and directives issued by the regulatory authorities.

In addition, the Directors may obtain independent professional advice in the furtherance of their duties, at the Company's expense.

### **4. The Company Secretary**

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

The Secretary is responsible for ensuring that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

## **D.REMUNERATION OF DIRECTORS**

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 attendances 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.

## **E. ASSESSMENT OF THE BOARD AND ITS MEMBERS**

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

The NC 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.

## **F. THE BOARD AND THE SHAREHOLDERS AND STAKEHOLDERS**

The Board believes that the Group should at all times be transparent and accountable to its shareholders and investors and the Board is proactive in evaluating the effectiveness of information dissemination to all shareholders and the wider investing community.

As such, the Board disseminates proper, timely and adequate relevant information to the shareholders through announcements, quarterly results and other announcements.

## **Matters Reserved for Collective Decision of the Board**

The following summarises the list of matters reserved for the Board's deliberation and decisions.

### **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 their members.
4. Approval of Terms of Reference of Board Committees and amendments to such terms.
5. Appointment of the Chief Executive Officer and Executive Directors of the Company and their duties.

### **Remuneration**

1. Approval/recommendation of the directors' fee/remuneration arrangements for non-executive directors.
2. Approval of the remuneration packages, structure and policy for Executive Directors.
3. 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.
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.
9. Approval of the Limits of Authority for the Company.

## **Financial**

1. Approval of interim and annual financial statements.
2. Approval for the release of financial announcements.
3. Approval of the Annual Directors' 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 in turn 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.
4. Alteration of the accounting reference date, registered office and name of the Company.
5. Purchase of 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 matter 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.
11. Any other matters requiring the Board's approval under the Limits of Authority of the Company.

### **Directors' Code of Ethics**

The Directors shall observe the Directors' Code of Ethics as follows:

1. Compliance at all times with this Code of Ethics, the Board Charter and regulatory requirements expected to be adhered by Directors of the Company.
2. Observe high standard 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 interests of the Company and Group.
5. Not misuse information gained in the course of duties for personal gain or for political purposes, nor seek to use the opportunity of the service as Directors to promote their private interests or those of connected persons, firms, businesses or other organizations.
6. Uphold accountability at all times. This includes ensuring that the Company's resources are properly safeguarded and the Company conducts its operations economically, efficiently and effectively 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 interests that may conflict with directors' responsibilities. Guidance on declaration and registration of interests is given in the section entitled "Declaration of Interests" below.
9. Directors shall adhere to the regulatory requirements pertaining to trading in the Company's shares.

## Audit Committee - Terms of Reference

### **Membership**

1. The Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members, all of whom shall be non-executive directors.
2. The majority of the Committee members shall be independent directors with at least one of whom shall be a member of the Malaysian Institute of Accountants or a member who fulfils the requirements stated in Paragraph 15.09 (1) (c) (ii) and Practice Note No. 13/2002, (Paragraph 7) of the listing requirements of the Bursa Malaysia Securities.
3. The Chairman of the Audit Committee shall be an independent non-executive director appointed by the Board.

### **Meetings and minutes**

1. Meetings shall be held not less than four (4) times a year and the Group Executive Director, Group Internal Auditor and a representative of the external auditors shall normally be invited to attend the meetings. Other members of the Board may attend the meetings upon the invitation of the Audit Committee.
2. At least once a year, the Audit Committee shall meet the external auditors without any executive directors present. A quorum shall be two (2) members present and a majority of whom must be independent directors. Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and of the Board.
3. The Chairman of the Audit Committee shall report on each meeting to the Board. The Secretary to the Audit Committee shall be the Company Secretary.

### **Authority**

The Audit Committee is authorised by the Board:

- i. to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group;
- ii. to have the resources in order to perform its duties as set out in its terms of reference;
- iii. to have full and unrestricted access to information pertaining to the Company and the Group;
- iv. to have direct communication channels with the internal and external auditors; and
- v. to obtain external legal or other independent professional advice as necessary.

Notwithstanding anything to the contrary hereinbefore stated, the Audit Committee does not have executive powers and shall report to the Board of Directors on matters considered and its recommendations thereon, pertaining to the Company and the Group.

### **Responsibility**

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities, the Audit Committee has the responsibility to promptly report such matter to the Bursa Malaysia Securities Berhad.

## **Review of the Composition of the Audit Committee**

The term of office and performance of the Audit Committee and each of the members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

### **Duties**

The duties of the Audit Committee are:

- i. to consider the appointment, resignation and dismissal of external auditors and the audit fee;
- ii. to review the nature and scope of the audit with the internal and external auditors before the audit commences;
- iii. to review the quarterly and annual financial statements of the Company and the Group focusing on the matters set out below, and thereafter to submit them to the Board:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and regulatory requirements.
- iv. to discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss;
- v. to review the audit reports prepared by the internal and external auditors, the major findings and management's responses thereto;
- vi. to review the adequacy of the scope, functions and resources of the internal and management audit department and whether it has the necessary authority to carry out its work;
- vii. to consider the report, major findings and management's response thereto on any internal investigations carried out by the internal auditors;
- viii. to review any appraisal or assessment of the performance of executive(s) in the internal and management audit department;
- ix. to approve any appointment or termination of senior executive(s) in the internal and management audit department;
- x. to be informed of any resignation of executives in the internal and management audit department and to provide the resigning executive an opportunity to submit his/her reason for resignation;
- xi. to review the evaluation of the systems of internal control with the auditors;
- xii. to review the assistance given by the Company's and the Group's employees to the auditors;
- xiii. to review related party transactions entered into by the Company and the Group to ensure that such transactions are undertaken on the Group's normal commercial terms and that the internal control procedures with regards to such transactions are sufficient; and
- xiv. any such other functions as may be agreed to by the Audit Committee and the Board.

## **Nomination Committee - Terms of Reference**

### **1.Membership of the Nomination Committee**

The Nomination Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company (Alternate Directors being ineligible) and shall consist of at least two (2) members, majority of whom are Independent Directors. The Chairman of the Nomination shall be an Independent Director appointed by the Board of Directors.

The Nomination Committee has no authority to act on behalf of the Board but shall have authority to examine all the issues at hand and to report back to the Board with recommendations. The Nomination Committee shall be governed by the following Terms of Reference which had been approved by the Board of Director and which may be amended by the Board from time to time by resolution.

### **2.Procedure of Nomination Committee**

The Nomination Committee shall meet at least once a year. The Quorum shall be a simple majority of members present for a meeting.

The Secretary to the Nomination Committee shall be the Company Secretary. Notice of meeting shall be given to all members of the Committee. Minutes of each meeting shall be recorded by the Secretary, confirmed by the Chairman and kept by the Secretary.

### **3.Responsibilities and Duties of the Nomination Committee**

The functions of the Nomination Committee shall be to assist the Board of Directors in achieving a balanced and effective Board by proposing new nominees for the Board and assessing the Directors on an on-going basis. To discharge its responsibilities, the Nomination Committee shall, among others, perform the followings duties:-

- a. To review regularly the Board structure, size and composition, and make recommendations to the Board with regard to any adjustments that are deemed necessary and to recommend Directors to Committees of the Board;
- b. To be responsible for identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise;
- c. To review the required mix of skills and to assess the effectiveness of the Board, Committees of the Board and contributions of Directors of the Board;
- d. To review the balance between Executive and Non-Executive Directors and to ensure at least one third (1/3) of the Board is comprised of Independent Directors in compliance with the Listing Requirements;
- e. To recommend to the Board for the continuation (or not) in service of an Executive Director as an Executive or Non-Executive Director;
- f. To recommend to the Board for the continuation (or not) in service of any Director who has reached the age of 70;
- g. To recommend Directors who are retiring by rotation to be put forward for re-election; and
- h. To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfill its responsibilities.
- i. To assess the effectiveness of the Board and Board Committees as a whole and the contribution of the Directors.

## **Remuneration Committee - Terms of Reference**

### **1.Membership of the Remuneration Committee**

The Remuneration Committee shall be appointed by the Board from amongst the Directors of the Company (Alternate Directors being ineligible) and shall consist of at least three (3) members, comprising wholly or mainly Non-Executive Directors. The Chairman of the Remuneration shall be an Independent Director appointed by the Board of Directors.

The Remuneration Committee has no authority to act on behalf of the Board but shall have authority to examine all the issues at hand and to report back to the Board with recommendations. The Remuneration Committee shall be governed by the following Terms of Reference which had been approved by the Board of Director and which may be amended by the Board from time to time by resolution.

### **2.Responsibilities and Duties of the Remuneration Committee**

The function of the Remuneration Committee shall be to recommend to the Board the remuneration of Executive Directors in all its forms, drawing from outside advice as necessary. Executive Directors should play no part in decisions on their own remuneration packages.

The determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairmen should be a matter for the Board as a whole. The individuals concerned should abstain from discussion of their own remuneration.

## Risk Management Committee - Terms of Reference

### 1. Objective

To review and report to the Board on its risk assessment and evaluation activities and to ensure that there is an effective Risk Management Framework or Program in place, which is aligned with Quality Concrete Holdings Berhad (“QC”) Group of Companies’ overall business objectives.

### 2. Appointment/Composition

The Board shall approve the setting up of RMC and authorize the Managing Director to appoint and remove its members. The Managing Director will be the Chairman of the Risk Management Committee and will lead the management in its risk management activities.

### 3. Authority and Duties

The RMC is an Executive Committee of the Board. The authorities of RMC cover all the companies within the QC Group. It is authorized by the Board to recommend to the Board the following:

#### *Risk Management Framework*

Risk management practices are embedded in the day-to-day operations of the Group which the Board has established a framework for identifying, evaluating and managing the significant risks found by the Group. The Board together with the assistance of the Risk Management Committee and advisers such as the Internal Auditor, identify risks as an ongoing process and ensure a continuous risk management arising therefrom.

#### *Risk Assessment Reviews*

In addition, the RMC is authorized to report to the Board on Risk Management activities in a continuous basis. Risk Management activities may include risk re-assessment and monitoring as well as updating of the risk profiles for the respective business units within the Group as well as assessing the effectiveness of the controls in place to address those risks. The Internal Auditor in assistance to the risk assessment activities regularly evaluates the effectiveness and appropriateness of the entire Risk Management and control structure as directed by the Audit Committee and reports to the Audit Committee.

### 4. Review of the Risk Management Committee

The Board shall review the term of office and performance of the Risk Management Committee and its members at least once every three (3) years and shall take necessary actions to correct any deficiency, including replacing the members of the Risk Management Committee.