



CAHYA MATA SARAWAK

CAHYA MATA SARAWAK BERHAD
(Company No. 21076-T)

BOARD CHARTER

1. INTRODUCTION

The Board Charter outlines the roles and powers of the Board members and those which are delegated to Management. The Board Charter ensures the Board members are aware of their fiduciary duties and responsibilities as members of the Board, of the various legislations and regulations affecting their conduct and of the highest standards of Corporate Governance required to be applied in all their dealings in respect of and on behalf of the Company.

2. PURPOSE

2.1 Purpose of the Board

The Board of CMS has primary responsibility for the governance and management of the Company. The governance structure of the Board is as follows:



The governance structure is supported by the CMS Group Limits of Authority (LOA) Manual which sets out the relevant limits as well as the matters reserved for the Board's approval and those which the Board may delegate to the Board Committees and the Management. The Group LOA Manual is reviewed on a regular basis to ensure effective decision making in the CMS Group.

2.2 Purpose of the Charter

The Board Charter serves as a source of reference for existing and prospective Board members to assist them in the performance of their fiduciary duties. It will also assist the Board in the assessment of its own performance and of each individual director.

This Charter is available on the Company's website at www.cmsb.com.my.

3. BOARD STRUCTURE AND COMPOSITION

3.1 The Company's Constitution provides for a minimum of two (2) Directors and a maximum of ten (10) Directors.

3.2 In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR), the Company must ensure that at least two (2) Directors or one-third (1/3) of the Board of Directors of the Company, whichever is higher, are Independent Non-Executive Directors.

- 3.3 The position of the Chairman, Deputy Chairman and the Group Executive Director shall be held by different individuals and the Chairman and Deputy Chairman shall be non-executive members of the Board.
- 3.4 Pursuant to the Company's Constitution, an election of Directors takes place subsequent to their appointment each year where one-third (1/3) of the Directors or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire by rotation from office and shall be eligible for re-election at each annual general meeting and that each Director shall retire from office at least once in every three (3) years and shall be eligible for re-election.
- 3.5 The Directors to retire at the annual general meeting shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire (unless they otherwise agree among themselves) shall be determined by lot.
- 3.6 The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, it shall justify and seek annual shareholders' approval. If the Board further intends to retain the Independent Director after the twelfth (12th) year, the Board shall seek annual shareholders' approval through a two-tier voting process as set out in the Malaysian Code on Corporate Governance.
- 3.7 The Board acknowledges the importance of board diversity, including gender, age and ethnicity diversity, to the effective functioning of the Board. In seeking potential candidates for new appointments, the Board shall take into account these various diversity factors to ensure the Board remains balanced. In this regard the NRC is responsible for reviewing and assessing the composition and performance of the Board. The NRC will also identify appropriate qualified persons to occupy Board positions. The NRC, in reviewing the Board composition, will consider the benefits of diversity in order to maintain the mix of skills, knowledge and experience of the Board underpinned by meritocracy which is the overriding focus and primary aim when selecting new candidates for Board memberships as well as evaluating the performance of the Board and each individual member.
- 3.8 Directors may relinquish their membership on the Board by written notice to the Group Company Secretary, subject to compliance with the provisions of the Companies Act 2016 (Act), MMLR and the Company's Constitution.

4. ROLES AND RESPONSIBILITIES OF THE BOARD

4.1 Principal responsibilities of the Board

The Board is principally responsible for the following:

- a. Together with Management promote good corporate governance and ensure the corporate governance structure is in place including standards of ethical, prudent and professional behaviour to promote a culture of corporate responsibility.
- b. Review and adopt the strategic plan and direction for the CMS Group and ensure that resources are available to meet its objectives.
- c. Review, challenge and decide on Management's proposals and monitor its implementation by Management.
- d. Oversee the conduct of the CMS Group's businesses in accordance with the strategic plan and budgets and take any corrective actions if necessary.
- e. Identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures.
- f. Set risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework in place.
- g. Ensure the Board and Senior Management have the necessary skills and experience and measures are in place to provide for orderly succession planning including appointing, training, fixing the compensation of and, where appropriate, replacing Senior Management.
- h. Review and assess Management performance.
- i. Oversee the development and implementation of investor relations and stakeholder communications policies for the CMS Group.
- j. Review the adequacy and the integrity of the CMS Group's management information and internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- k. Approve the appointment, resignation or removal of the Group Company Secretary.
- l. Review and approve the financial statements including the annual audited accounts and quarterly reports, dividend, credit facilities from financial institutions and guarantees.
- m. Approve the appointment of external auditors for the CMS Group and their related audit fees.

- n. Establish such committees, policies and procedures to effectively discharge the Board's roles and responsibilities.

4.2 Duties and responsibilities of individual Directors

- a. A Director shall at all times exercise his/her powers for a proper purpose and in good faith in the best interest of the Company. A Director shall demonstrate good stewardship, act in professional manner, exercise reasonable care, skill and diligence in the discharge of his/her duties and shall not make use of any information acquired by virtue of his/her position to gain directly or indirectly an improper advantage for himself/herself or for any other person or to cause detriment to the Company.
- b. A Director shall at all times avoid conflicts of interest and as soon as practicable after the relevant facts have come to his/her knowledge declare the nature of such interests at a meeting of the Directors of the Company. A Director shall ensure Board information, discussions, deliberations and decisions that are not publicly known are not used for personal interest or their employees' interest.
- c. A Director shall give notice to the Company of such events and/or matters relating to him/her as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act. A Director shall disclose and abstain from voting on matters of material personal interest.

4.3 Role of Board Chairman

The role of the Chairman (or in his/her absence the Deputy Chairman), who leads the Board with a focus on governance and compliance, includes the following:

- a. Leadership of the Board;
- b. Lead the Board in establishing and monitoring good corporate governance practices in the Company;
- c. Oversee the effective discharge of the Board's fiduciary duties;
- d. Set the Board agenda and ensure Board members receive complete, clear and accurate information in a timely manner;
- e. Lead in discussion at meetings and ensure effective and efficient conduct of Board meetings;
- f. Manage Boardroom dynamics and encourage active participation, promoting open debate and allowing dissenting views to be freely expressed thus facilitating the effective contribution of all Directors;
- g. Schedule regular and effective evaluation of the Board's performance;
- h. Promote constructive and respectful relations between Board members and between the Board and Senior Management;
- i. Ensure the Directors have access to necessary training programmes or materials that match up with the identified development areas; and
- j. Ensure steps are taken for effective communications with stakeholders.

4.4 Role of Group Executive Director

The role of the Group Executive Director includes the following:

- a. Implementation of broad policies and strategic investments approved by the Board;
- b. Acts as a conduit between the Board and Senior Management;
- c. Formulate and oversee implementation of major corporate policies and management plans in accordance with the strategies adopted by the Board; and
- d. Ensure the CMS Group has an effective management team including an active succession plan and development.

4.5 Role of Non-Executive Directors

Non-Executive Directors provide considerable depth of knowledge and experience to the Board. Independent Non-Executive Directors are independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement. Independent Non-Executive Directors provide unbiased and independent views in their deliberations. The independence of the Non-Executive Directors is assessed annually whereby each of these Directors is required to submit a written declaration on their independence.

The role of the Non-Executive Directors includes the following:

- a. Review and challenge Management's strategic proposals taking into consideration the risks involved, merits of the transactions and/or business arrangements;
- b. Monitor Management's implementation of the approved strategies; and
- c. Provide an objective, independent and balanced view in the Board's deliberations.

4.6 Separation of Functions of Board Chairman, Group Executive Director and Group Chief Executive Officers (CEOs)

The roles of the Board Chairman, Group Executive Director and Group CEOs of the Company are distinct and to be always strictly separated. The Group CEOs are responsible for the day to day business of the CMS Group.

4.7 Board Committees

- 4.7.1 The Board has established Board Committees as part of its efforts to ensure the effective discharge of its duties and to allow specific issues to be discussed in depth by Directors with the appropriate and relevant knowledge and insight.
- 4.7.2 The Committees established by the Board to assist the Board in the execution of its duties are as follows:

- GAC

The GAC assists and supports the Board's responsibility of overseeing the Group's operations by reviewing the Group's processes for producing financial information, internal controls and policies and procedures to assess the suitability, objectivity and independence of the Group's external auditors and internal audit functions.

- NRC

The NRC assists and supports the Board's responsibility on matters related to nomination of new Directors, Board and Senior Management succession planning and annual assessment of Board, Board Committees and individual Directors' performance. The NRC also oversees the remuneration framework for the Board and employees in the Group.

- GRC

The GRC assists and supports the Board in overseeing the risk management framework for the Group.

4.7.3 The Chairman of the respective Board Committees will report to the Board on the outcome/key issues deliberated by the Board Committees at the Board meetings and where appropriate, make the necessary recommendations to the Board.

4.7.4 Each of the respective Board Committees shall be governed by a Terms of Reference (TOR) which shall set out their duties, responsibilities and criteria for membership. The respective TOR shall be periodically reviewed by the Board to ensure their appropriateness. The TOR of the Board Committees is available on the Company's website at www.cmsb.com.my.

5. BOARD REMUNERATION

5.1 The fees for Non-Executive Directors and any benefits payable to the Directors of the Company and its subsidiaries shall be approved at a general meeting.

5.2 The Directors shall be paid all their travelling and other expenses expended by them in the fulfilment of their duties including those incurred in attending meetings.

5.3 The Board has established the policy and framework for Directors' remuneration for the CMS Group whereby the NRC shall review and make recommendations on the same to the Board. The NRC may engage an external consultant to carry out a benchmarking review exercise on the Board's remuneration.

6. MATTERS RESERVED FOR THE BOARD

The matters reserved for the Board include:

- a. Group strategy, plans and budgets;
- b. Approval of audited and quarterly financial statements;
- c. Constitution of the Company including amendments;
- d. TOR of Board and Board Committees;
- e. Appointment and/or removal of external auditors and auditors' remuneration;
- f. Acquisitions, disposals and/or transactions exceeding the authority limits of the Group's subsidiary companies including new business activities and/or ventures;
- g. Changes in key policies including dividend policy, procedures and delegated authority limits of the Group; and
- h. Changes to Senior Management of the Group and organisational structure.

7. BOARD MEETINGS

- 7.1 The Board shall convene at least four (4) meetings in each financial year with additional meetings to be convened as and when necessary. The Board's annual meeting calendar is prepared and circulated by the Group Company Secretary before the beginning of each year.
- 7.2 The Board and/or Board Committee notice, agenda items and papers shall be distributed at least five (5) business days prior to the meeting.
- 7.3 The quorum for Board meetings shall be a majority of Directors. In the absence of the Chairman, the Directors present shall select a Chairman from amongst them to chair the meeting.
- 7.4 Meetings are normally conducted face-to-face for effective discussion however meetings may also be conducted via telephone and/or video conferencing or other appropriate means as determined by the Board. The Board may from time to time consider and approve matters via a written resolution in lieu of convening a meeting. Such written resolution shall be approved by a majority of the Directors shall be as valid and effectual as if it has been passed at a meeting duly convened. Approval of such written resolution can be through electronic mail and/or other means of electronic communications. Such documents may consist of several documents, including facsimile or other means of communications, in like form, each signed by one or more Directors.

- 7.5 Each Director is entitled to one (1) vote in deciding matters in the meetings and decision that has gained the majority of votes shall be the decision of the Board. In case of an equality of votes the Chairman shall have a second or casting vote.
- 7.6 Proceedings of all meetings and the decisions of the Board are recorded in the minutes of the meeting. Minutes of the meetings are circulated to the Directors and approved by the Chairman of the meeting at which the proceedings are held or by the Chairman of the subsequent meeting.
- 7.7 The Board or any Board Committee may invite the Senior Management and/or external parties such as auditors (both internal and/or external auditors), solicitors and/or consultants as and when the need arises. Such invited parties may attend part or all of the Board or Board Committee meeting at the discretion of the Board or Board Committee.

8. BOARD EVALUATION

- 8.1 The Board, through the NRC, conducts an annual evaluation on its effectiveness as a whole, each individual Director and the Board Committees established by the Board. The Board's effectiveness is assessed on the areas of composition, administration, accountability, responsibility, conduct and performance of each member of the Board and Board Committee including the respective Chairmen.
- 8.2 The NRC shall engage an external consultant once every three (3) years to facilitate an objective Board evaluation exercise.
- 8.3 The Board shall disclose how it has conducted the evaluation and its outcome in the Company's annual report as well as the identity of the third party if an external consultant was engaged for the exercise.
- 8.4 The outcome of the Board evaluation forms the basis of the NRC's recommendation to the Board for the re-election and/or re-appointment of Directors at the general meeting.
- 8.5 The Board shall undertake, through the NRC, an evaluation of its key officers annually.

9. BOARD INDUCTION AND CONTINUING EDUCATION PROGRAMME

- 9.1 The Board shall maintain an induction programme for new Directors to be facilitated by the Group Company Secretary.
- 9.2 In addition to the Mandatory Accreditation Programme as required by Bursa Securities, the Board shall evaluate and determine the training needs of its Directors on an on-going basis and ensure all Directors have access to appropriate continuing education programmes to keep abreast of regulatory changes and other developments.

10. CONFLICT OF INTEREST AND TRANSACTION INVOLVING DIRECTORS

- 10.1 The Board shall maintain its Conflict of Interest policy to manage situations where conflict may arise on the part of Directors.
- 10.2 A Director who is directly or indirectly interested in a transaction or contract entered into or proposed to be entered into by the CMS Group shall be counted only to make the quorum at the Board meeting but shall not participate in the decision or vote on the proposal. Such Director must declare his interest and abstain from deliberation on the relevant resolution in respect of a related party transaction.

11. CODE OF CONDUCT AND ETHICS

- 11.1 The Board continues to adhere to the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. The Board shall review the policy on the Group's code of conduct to be integrated into group-wide management practices.
- 11.2 The Directors' Code of Ethics is available on the Company's website at www.cmsb.com.my.

12. WHISTLE-BLOWING POLICY

- 12.1 The Board has established a Whistle-Blowing Policy. The policy aims to provide an avenue for raising concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of retaliation.
- 12.2 The Board shall review the Whistle-Blowing Policy periodically to keep it up to date and consistent with the Board's objectives.
- 12.3 The Whistle-Blowing Policy is available on the Company's website at www.cmsb.com.my.

13. GROUP COMPANY SECRETARY

- 13.1 The Board should ensure it is supported by a suitable qualified and competent Company Secretary. The Group Company Secretary is appointed as the company secretary of the Company and all the subsidiaries in the Group and as secretary to the Board Committees. The Group Company Secretary attends all Board, including Boards of subsidiary companies, and Board Committee meetings and ensures that accurate records of the proceedings of these meetings and the decisions made are properly minuted.
- 13.2 The Group Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to corporate governance and compliance with company laws, rules, procedures and regulations and

advocates the adoption of sound corporate governance best practices in the CMS Group. The Group Company Secretary facilitates the communication of key decisions and policies between the Board, Board Committees, Boards of subsidiary companies in the Group and Senior Management.

- 13.3 The roles of the Group Company Secretary shall include, but are not limited to the following:
- a. Advising the Board on its roles and responsibilities;
 - b. Manage Board and Board Committee meeting logistics, attend and record minutes of meetings and facilitate Board communication;
 - c. Facilitating the induction of new Directors and assist in Directors' training and development;
 - d. Advising the Directors on corporate disclosures and compliance matters such as disclosure of interests, conflict of interest, prohibition of dealing in securities and restriction on disclosure of price-sensitive information;
 - e. Managing the process on shareholders' general meetings;
 - f. Monitor corporate governance developments and assist the Board in application of good corporate governance practices; and
 - g. Serve as focal point for stakeholders' communication and engagement on corporate governance issues.
- 13.4 The Group Company Secretary should keep abreast of and inform the Board of regulatory changes and development in corporate governance. The Group Company Secretary should undertake continuous professional development.

14. AUTHORITIES OF THE BOARD

The Board is authorised to do the following at the expense of the CMS Group:

- a. Be provided resources to perform its duties;
- b. Be able to obtain independent professional or other external advice;
- c. Have direct access to the Group Company Secretary, Senior Management team as well as internal and external auditors;
- d. Have full and unrestricted access to information, records, properties and personnel of the CMS Group in performing their duties including immediate access to reports on fraud and/or irregularities;
- e. Convene meetings with internal and external auditors without the presence of any executive/management; and

- f. Authorise investigations into fraud, illegal acts and/or suspected violations of Group policies involving Directors and/or Management.

15. REVIEW OF THE BOARD CHARTER

The Board shall review this Charter periodically to keep it up to date and consistent with the Board's objectives taking into consideration the needs of the CMS Group as well as any development in rules and regulations that may impact on the Board's duties and responsibilities.

Revised BOD Charter approved by the Board on 26 February 2019.

BOD Charter approvals:

205th BOD 26 February 2014

Revised 208th BOD 27 August 2014

Revised 227th BOD 23 February 2018

Revised 234th BOD 26 February 2019