



Lee Swee Kiat Group Bhd

Board Charter - Reviewed Feb 2020

1 INTRODUCTION

The Board of Directors (“the Board”) is accountable and responsible for the businesses and affairs of Lee Swee Kiat Group Bhd (“The Group” or “LSK”). The Board recognizes the importance of corporate governance to the long term success and sustainability of the Group. The key MOTTO pursued by the Group are abbreviated as EIIE

E - Effective I – Integrity I – Improve E – Efficient

2 PURPOSE

This Board Charter sets out the role, functions, composition, operation and processes of the Board to ensure that all Board members acting on behalf of the Group are aware of their fiduciary duties and responsibilities. It also serves to communicate to the stakeholders in a transparent way about the way the Group is managed.

3 THE BOARD COMPOSITION

- 3.1 The Board shall consist of suitably qualified individuals with relevant set of skills, experience and knowledge necessary to govern the Group. The Board acknowledges the benefits of a more balanced gender diversity in the Board composition. Where possible, gender diversity will be taken into account when there is a need to replace or appoint a new Director to the Board.
- 3.2 There shall be at least three (3) independent Directors in the Board.
- 3.3 At least one third (1/3) of the Board shall be independent Directors.
- 3.4 The tenure of an independent Director shall not exceed a cumulative term of 9 years. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the re-designation as Non-Independent Director. The said Director may continue to serve as Independent Director with shareholder’s approval at Annual General Meeting (AGM). The approval shall valid until the next AGM.
- 3.5 There shall be a Senior Independent Director who shall attend to queries and concerns raised by shareholders pertaining to the Group.

4 Appointment and Re-election

- 4.1 Any appointment of a new Director shall first obtain the recommendation by the Nomination Committee, Remuneration Committee before tabling it to The Board for approval.
- 4.2 Every newly appointed Director shall retire and be subjected to re-election at the immediate AGM following his appointment.
- 4.3 One third (1/3) of the members of the Board shall retire from office at every AGM. The retiring members may seek re-election at the AGM.
- 4.4 Every Director shall retire at least once every 3 years and may seek re-election at the AGM.

5 Assessment of Directors

- 5.1 The Board shall conduct an annual assessment on its members to ensure they are suitable to continue to serve the Group.
- 5.2 The Board shall assess the independence of the Independent Directors from time to time, by assessing their disclosed interests based on criteria under the Listing Requirements of Bursa Securities.
- 5.3 All members of the Board shall not be a Director to more than 5 public- listed companies.
- 5.4 All Board members shall notify the Chairman of the Board before accepting any new directorship in other public- listed company
- 5.5 The Chairman shall notify the Board before accepting any new directorship in other public listed company.

6 Duties and Responsibilities of the Board

- 6.1 The principal duties and responsibilities of the Board are
 - i) Review, adopt and monitor the implementation of the strategic plans and annual budget for the Group
 - ii) To establish and carry out periodic review of the Code of Business Conduct and Ethics for the Group, including Whistle Blowing Policy
 - iii) Identify business risks with constant monitoring of market changes and to establish a risk management framework to manage those risks in order to safeguard company assets
 - iv) Review the internal control and management information systems for compliance with applicable laws and regulations

- v) Establish and monitor internal audit scope to minimize fraud
- vi) Review the succession planning of the senior management

6.2 Chairman and Managing Director (“MD”)

The Group seeks to have a clear division of responsibilities between running the Board and the Group’s operational business. The positions of Chairman (“non-executive Chairman”) and MD are separated and clearly defined.

The responsibilities of the Chairman are

- i) Chair Board meetings in proper manner.
- ii) Ensure all relevant issues are tabled on Board Agenda
- iii) Ensure compliance with Board Charter
- iv) Ensure timely dissemination of Board papers by the Company Secretary to the Board members.
- v) Encourage all Directors to play an active role in Board activities

The responsibilities of the MD are

- i) To formulate strategic plan and annual budget to ensure long term viabilities and sustainability for the Group
- ii) To manage the day-to-day operations and businesses of the Group.
- iii) To implement the policies, corporate strategies and decisions adopted by the Board.
- iv) To report material and relevant matters to the Board timely and accurately.
- v) To create long term sustainable value for stakeholders of the Group

7 Board Committee

The Board may from time to time establish Committees to assist in carrying out its duties and responsibilities. The existing Committees include:

- i) Audit Committee
- ii) Nomination Committee
- iii) Remuneration Committee

The Committees shall operate under clear defined Terms of Reference. The Chairman of each Committee reports to the Board on the outcome of the Committee meetings and such reports will be included in the Board Papers. Details of the membership and the terms of reference of each Committee will be published in the Annual Report.

8 Board Meetings

- 8.1 The Board shall convene at least four (4) scheduled meetings annually, with additional meetings to be convened when necessary.
- 8.1 Where necessary, the Board may seek independent professional advice and information in discharging their duties at the Group's expense, in order to make independent and informed decisions.
- 8.2 The Company Secretary shall be present at the meetings to take minutes as well as to ensure proper procedures are followed.
- 8.3 The Company Secretary shall ensure that applicable rules and regulations, including updates on new requirements, are complied with for proper conduct of the affairs of the Board.

9 Financial Reporting

- 9.1 The Board will discuss and approve the quarterly financial statements within two months after the end of each quarter for public announcement.
- 9.2 The Board will ensure the financial statements are prepared in accordance to the prevailing accounting standards as well as Bursa Securities Listing Requirements.

10 Directors' Remuneration

- 10.1 The Group intends to set remuneration for Directors at levels which are sufficient to attract and retain suitable candidates for long term sustainable operation of the Group. Various parameters including skills, years of relevant experience, function, workload and responsibilities involved are taken into consideration.
- 10.2 The Group has established an Executive Director Incentive Scheme ("EDIS") to reward the Executive Directors based objectively on the company's annual performance. Various Key Performance Indicators ("KPI") including profit before tax, return on shareholders' fund and gearing level of the Group are assessed to arrive at the annual performance incentive. The KPI are selected to encourage improved performance of the Group based on efficient use of the shareholders' fund prudently and without incurring excessive borrowings which may increase default risks.

10.3 Independent Directors will be paid a basic fee as well as a meeting allowance. The level of remuneration will reflect the contribution and responsibilities undertaken by the Independent Directors. The fee will be subject to the approval of shareholders at AGM.

10.4 Where necessary, a service contract may be drawn to attract suitable candidate to be an Executive Director.

10.5 There will be adequate disclosure on the remuneration of Directors in the Annual Report.

11 Directors Training and Continuing Education

11.1 The Board encourages its members to upgrade themselves with new knowledge or skills to enhance their ability to discharge their duties effectively and efficiently.

11.2 The details of such Training and Continuing Education shall be disclosed in the Annual Report.

12 Investor Relations

12.1 The Group shall maintain a corporate website to disseminate relevant information of the Group to the stakeholders, including inter alia, quarterly financial announcements, Board Charter etc.

12.2 The AGM is the principal forum for dialogue with shareholders for effective communications with the Group

13 Corporate Social Responsibilities

The Group's corporate social responsibility ("CSR") philosophy covers both the social and the environmental aspects amidst our business strategy for long term sustainable and balanced growth. This is in line with the CSR Framework for Public Listed Companies launched by Bursa Malaysia Securities Berhad.

The Group emphasises CSR on the following key areas:

i) Environment

Our latex plant produces 100% natural latex foam that is using renewable rubber tree resources as our core materials. We use the environmental friendly Dunlop process that minimises the release of carbon-dioxide gas into the atmosphere. We also practise a system of minimising



harmful waste discharge by having a waste water treatment plant. Our advanced machinery using Far-infra red moisture extraction technology helps to conserve energy consumption in our drying process.

ii) Community

The Group acknowledges its social responsibilities to the community. The Group's products are produced or managed to the highest standards in quality control. The Group uses food grade purified water in the washing of its natural latex product and every piece of latex are subject to vigorous tensile test to ensure top quality products are produced.

The Group has from time to time donated mattresses and pillows for charitable organisations.

iii) Working environment

The Group strives to provide conducive working environment for both administrative and production workers. Staffs are sent for external training to better equip them of relevant skills and knowledge of work. All employees are covered by insurance and their welfare is closely monitored to avoid any violation of Labour law.

14 Review of the Board Charter

14.1 This Board Charter has been adopted by the Board on 27 February 2013.

14.2 The Board shall periodically review this Board Charter in accordance with the needs of the company and compliance with any new updates on relevant regulations and Code of Corporate Governance.