



**MIECO CHIPBOARD
BERHAD**

BOARD CHARTER

1. INTRODUCTION AND PURPOSE

The Board of Directors (“the Board”) is accountable and responsible for the performance and governance activities of Miecoco Chipboard Berhad and its group of companies (“MIECO Group” or “the Group”) with a view of protecting shareholder value and recognising the interests of all other stakeholders namely customers, suppliers, contractors, employees, regulators, members of the communities and all others with whom MIECO interfaces.

This Board Charter is intended to identify the role, structure and processes related to key governance activities of the Board. It serves as a reference point for Board activities. It is designed to provide guidance and clarity for Directors and management with regard to the role of the Board and its committees as well the roles of the top key positions of the Company, the requirements of Directors in carrying out their roles and in discharging their duties towards the Company as well as the Board’s operating practices.

This Board Charter is drawn up with the consideration of the recommendations made in the Malaysian Code on Corporate Governance and the business, operational and corporate environment of MIECO Group.

2. BOARD ROLE

2.1 Duties and Responsibilities

The principal responsibilities of the Board in stewarding the Group are as follows: -

- (a) to review and adopt the strategic plan for the Group;
- (b) to oversee the conduct of the Group’s business to determine whether the business is being properly managed;
- (c) to identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- (d) set the risk appetite within which the Board expects Management to operate, and ensure that there is an appropriate risk management framework to identify,

analyse, evaluate, manage and monitor significant financial and non-financial risks;

- (d) to establish a succession plan for the Company;
- (e) to oversee the development and implementation of an investor relations programme or shareholder communications policy for the Company;
- (f) to review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (g) to ensure that the Company's financial statements are true and fair and conform with the laws; and
- (h) to ensure that the Company adheres to high standards of ethics and corporate behaviour.

The Board is also mindful of the importance of building a sustainable business, and therefore takes into consideration the environmental, social and governance impact when developing the corporate strategy of the Group. The Board also ensures that the Company participates and undertakes activities in corporate social responsibilities.

2.2 Matters Reserved for the Board

To ensure that the direction and control of the Group is firmly in its hands, the matters reserved for the Board's decisions are as follows: -

- (a) to approve corporate plans and strategic issues of the Company;
- (b) to approve annual budgets of the Company;
- (c) to approve material acquisitions and disposals of undertakings and assets as well as major investments of the Group;
- (d) to approve new ventures of the Group;
- (e) to approve changes to the control structure of the Company including key policies, capital expenditure, authority levels, treasury policies and risk management policies;
- (f) to approve material borrowings of the Company; and
- (g) to review of the financial statements of the Company and the Group on a consolidated basis.

3. BOARD STRUCTURE

3.1 Board Composition and Balance

3.1.1 The Board recognises the importance of independence and objectivity in the decision making process. At least one-third (1/3) of the Board members comprises independent directors. Independent director shall have the meaning as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

3.1.2 The Board endeavours to keep its size at a reasonable level to ensure participation, involvement and effectiveness. The Constitution of the Company allows a minimum of two (2) and a maximum of nine (9) directors. The Board shall from time to time examine its size with a view to determine the impact of its number upon its effectiveness

3.1.3 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 pre-requisite 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.

3.1.4 The Board takes cognisance of the recommendation of the MCCG that the positions of chairman and chief executive officer should be held by different individuals, and that the chairman must be a non-executive member of the board.

The Board 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 Group Managing Director ("Group MD") separate.

The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board while the Group MD has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions.

The Group MD is responsible to ensure due execution of strategic goals, effective operation within the Group, and to explain, clarify and inform the Board on matters pertaining to the Group.

3.2 Role of the Chairman

The Chairman carries out a leadership role in the conduct of the Board and in his relations with shareholders and other stakeholders.

The primary responsibilities of the Chairman are, amongst others, as follows: -

- (a) To lead the Board and to ensure the effectiveness of all aspects of the Board's role;
- (b) To ensure the efficient organisation and conduct of the Board's function and meetings;
- (c) To facilitate the effective contribution of all Directors at Board meetings;
- (d) To promote constructive and respectful relations among Directors, and between the Board and management; and
- (e) To ensure effective communication with shareholders and relevant stakeholders.

3.3 Role of the Group MD

The position of the Group MD in essence is to ensure the effective implementation of the Group's business plan and policies established by the Board as well as to manage the daily conduct of the business to ensure its smooth operation.

The primary responsibilities of the Group MD are, amongst others, as follows: -

- (a) to develop and present the strategic business plans to the Board for approval;
- (b) to develop the Group's corporate strategies and vision, and ensuring successful implementation of the strategies in meeting objectives and targets;
- (c) to develop business plans for the long term sustainable growth of the Group;
- (d) to take leadership role in establishing and sustaining corporate culture and value;
- (e) to report progress of annual business plans and other relevant matters to the attention of Board in an accurate and timely manner; and
- (f) to be accountable for the overall results and performance, and to the Board of Directors and the stakeholders of the Company.

3.4 Tenure of Directors

3.4.1 Pursuant to the Constitution of the Company, one-third of the Directors for the time being shall retire from office and each Director must retire once in every three (3) years but shall be eligible for re-election.

3.4.2 The tenure of the Executive Directors is tied to their executive office.

3.4.3 The tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine years term, an independent director may continue to serve on the Board subject to the Director's re-designation as non-independent. However, in the event of a proposal to retain him as an

Independent Director, the Nomination Committee must conduct assessments and make recommendations to the Board to justify and seek shareholders' approval.

3.5 Company Secretary

3.5.1 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.

3.5.2 The key role of the Company Secretary is to provide unhindered advice and services to the Directors as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.

3.5.3 Other primary responsibilities of the Company Secretary include: -

- (a) advising the Board and management on governance issues;
- (b) ensuring compliance of listing and related statutory obligations;
- (c) attending Board, Board Committees and general meetings, ensuring Board meeting procedures are followed and also ensuring the proper recording of minutes;
- (d) ensuring the proper maintenance of statutory registers and records;
- (e) assisting the Chairman in the preparation and conduct of meetings;
- (f) updating the Directors on any new changes and development to the statutory or regulatory requirements concerning their duties and responsibilities as well as those concerning the Company; and
- (g) assisting the communications between the Board and management.

3.6 Board Committees

3.6.1 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.

3.6.2 The Board Committees that have been established are as follows:-

(a) **Audit Committee**

The Audit Committee assists and supports the Board's responsibility in overseeing the Company's performances by reviewing the Company's processes in producing financial data, its internal controls and reviewing the works of the Company's external and internal auditors. The terms of reference of the Audit Committee is published on the Company's website at www.mieco.com.my

(b) **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 published on the Company's website at www.mieco.com.my

(c) **Remuneration Committee**

The Remuneration Committee is primarily responsible in recommending to the Board the remuneration of Directors and key personnel in all its forms to ensure adequate, fair and competitive compensation and benefits. The terms of reference of the Remuneration Committee is published on the Company's website at www.mieco.com.my.

4.0 BOARD PROCESSES

4.1 Board meetings

4.1.1 The Board shall meet at least five (5) times each financial year. Additional meetings may be scheduled if needed to discuss and resolve urgent items.

4.1.2 Board members are required to attend the Board meetings. Other senior officers 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.

4.1.3 Participation at Board meetings may be by physical presence, telephone conferencing, video conferencing and/or any other interactive means of audio or audio-visual communications.

4.2 Notice and Agenda

As best practices, notices of Board meetings are to be given in writing at least seven (7) days prior to the meeting, unless there are matters requiring urgent attention. The Chairman, together with the Group MD and the Company Secretary, shall undertake the primary responsibility of preparing the Board's agenda.

4.3 Meeting papers

4.3.1 Meeting papers and agenda items are to be circulated in advance of the meeting. When there is a need to table a report, a brief précis of findings and/or proposals is recommended to be prepared.

4.3.2 All proceedings, deliberations and conclusions of the Board meetings are to be minuted and shall be signed by the Chairman of the meeting at which the proceedings were held or the Chairman of the next succeeding Board meeting.

4.4 Access to Information

4.4.1 Papers and materials presented to the Board are to be maintained by the Company Secretary together with minutes of meetings, and are accessible to the Directors.

4.4.2 All Directors (executive and non-executive) shall have the same right of access to information relevant to the furtherance of their duties and responsibilities as Directors of the Company unless they are matters posing conflict of interests.

4.5 Independent Professional Advice

4.5.1 The Board as well as any Director is entitled to obtain independent professional advice relating to the affairs of the Company or to his responsibilities as a Director or specifically as a Board Committee member.

4.5.2 If a Director considers such advice is necessary for the discharge of his duties and responsibilities as Director and is beneficial to the Company, such Director shall first discuss it with the Chairman / Board. Having done so, he may proceed.

4.5.3 Subject to the prior approval of the Chairman / Board, the cost of the advice will be reimbursed by the Company but the Director will ensure, so far as is practicable, that the cost is reasonable.

4.6 Training Programmes

4.6.1 Directors are required to undergo the mandatory accreditation programme under the auspices of Bursa Malaysia Securities Berhad.

4.6.2 Directors are strongly encouraged to attend relevant trainings to keep them abreast with developments pertaining to the oversight function of Directors as well as updates on technical matters such as financial reporting standards, tax budgets and so on.

4.7 Time Commitment of Directors

4.7.1 No fixed time commitment is set for Board duties as the time required by Directors may fluctuate depending on demands of the business and other events. However, it is expected that Directors will allocate sufficient time to the Company to perform their duties effectively, including being prepared for meetings and contributing effectively to the business of the Company.

4.7.2 Directors of the Company must not hold directorships in more than five (5) public listed companies and should notify the Board before accepting any new directorships. The notification should include an indication of time that will be spent on the new appointment.

4.8 Remuneration Level of Directors

4.8.1 The Company aims to set remuneration at levels that are sufficient to attract, motivate and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the calibre, responsibilities, contributions and commitment involved, but without paying more than is necessary to achieve this goal.

4.8.2 The components of the remuneration of the Executive Directors shall be structured so as to link rewards to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration shall reflect the contributions, commitment, experience, expertise and responsibilities undertaken by the particular Non-Executive Director concerned and the complexity of the Company's activities.

4.9 Directors' External Commitments and Conflict of Interest

4.9.1 The Constitution of the Company stipulates that every Director who may have direct or indirect interest in any contract or proposed contract or arrangement with the Company shall declare his interest to the Board and shall not participate in deliberations and shall abstain himself from casting his votes in any matter arising therefrom.

4.9.2 Should there be any actual, potential or perceived conflict of Interest between the Company and a Director, or an associate of a Director such as a spouse, other family member(s), or a company where he is deemed to have interest pursuant to the Companies Act, 2016, the Director involved shall make full disclosure and act honestly in the best interest of the Company.

5.0 STAKEHOLDER COMMUNICATION

5.1 General Meetings

5.1.1 The Company regards the Annual General Meeting as an important event in the corporate calendar. Extraordinary General Meetings are added opportunities for the Directors to have face-to-face communication with the shareholders of the Company. The Company regards general meetings as the principal forum for dialogue with shareholders and aims to ensure that general meetings provide important opportunity for effective communication and for constructive feedback from the Company's shareholders.

5.1.2 The Chairman encourages active participation of the shareholders during general meetings and provides reasonable time for discussion at general meetings. Where appropriate and if required, the Chairman will also undertake to provide the questioner with a written answer to any significant question that cannot be answered immediately.

5.2 The Board's Relationship with Shareholders and Stakeholders

5.2.1 The Board places importance in maintaining effective communication policy that enables both the Board and management to communicate effectively with its shareholders, investors, analysts and the public.

5.2.2 The methods of communication engaged by the Company are, amongst others, as follows: -

- (a) timely announcements and disclosures made to Bursa Malaysia Securities Berhad;
- (b) regular dialogues with financial analysts; and
- (c) the Company's website, www.mieco.com.my, which provides easy access to the corporate information pertaining to the Group and its activities, which is updated as and when necessary.

6.0 ACCOUNTABILITY AND AUDIT

6.1 Financial Reporting

6.1.1 The Board aims to present a clear and balanced assessment of the Group's financial position and future prospects that extends to the annual and quarterly reports.

6.1.2 The Board ensures that the annual and interim financial statements are prepared so as to give a true and fair view of the current financial status of the Group in accordance with the approved accounting standards. The Audit Committee plays an important role in ensuring the Company's financial statement is a reliable source of financial information and ensures the compliance of the applicable financial reporting standards before recommending the Company's financial statements to the Board.

6.2 Company Auditors

6.2.1 The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the External Auditors through the Audit Committee.

6.2.2 The Audit Committee also keeps under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the External Auditors of the Company. The Audit Committee ensures that the External Auditors do not supply a substantial volume of non-audit services to the Company.

6.2.3 Appointment of the External Auditors is subject to the approval of shareholders at general meeting. The External Auditors have to retire during the Annual

General Meeting every year and be subject for reappointment by the shareholders of the Company for the ensuing year.

7.0 WHISTLEBLOWING POLICY

“Whistleblowing” is defined as “the deliberate, voluntary disclosure or reporting of individual or organisational malpractice by a person who has or had privileged access to data, events or information about an actual, suspected or anticipated improper conduct within the organisation or by an organisation that is within its ability to control”.

The Group has in place a “Whistleblower Policy” to manage improper conduct on the part of the Directors and Employees, if any. This policy covers areas from lodging of reports to investigation and corrective actions that are required to be taken.

Director’s improper conduct is generally described as any conduct by a Director which if proved constitutes a criminal offence or any conduct that constitutes a wrongdoing or malpractice and may include any of the following: -

- (a) The breach of any law, regulation or rule that is applicable to the Group. For example, a breach of insider trading laws;
- (b) Any criminal act, including criminal breach of trust, extortion and sabotage;
- (c) Any act that is likely to cause significant financial loss or costs to the Group including any intentional misrepresentation of the Group’s financial statements;
- (d) Any other action that would cause significant harm to the Group or to any person(s);
- (e) The deliberate concealment of information concerning any of the matters listed above.

The Board has overall responsibility for this policy and shall oversee the implementation of this policy.

8.0 ANTI-BRIBERY AND ANTI-CORRUPTION COMPLIANCE

The Board ensures the Group has a sustainable anti-bribery and anti-corruption compliance programme and has adopted the Anti-Bribery and Anti-Corruption Policy (“the ABC Policy”) which sets out the Group’s zero tolerance approach against all forms of bribery and corruption. The Board has overall responsibility for the ABC Policy and shall oversee the implementation of this Policy.

The Group CEO/Group Company Secretary shall conduct regular validation to ensure compliance to this Policy and shall report to the Board.

9.0 CODE OF CONDUCT AND BUSINESS ETHICS

The Board ensures the Group adopts a formal Code of Conduct and Ethics to ensure the Group is committed to ethical values in its conduct of business. The Board has overall responsibility for the Code of Conduct and Ethics and shall oversee the implementation of the Code.

10.0 REVIEW OF CHARTER

Any subsequent amendments to the Board Charter can only be approved by the Board. The Board Charter will be periodically reviewed and updated with needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

11.0 PUBLICATION OF THE CHARTER

A copy of the charter is available at the Company's website, www.mieco.com.my.

Revised on 21 May 2020.