

KOTRA INDUSTRIES BERHAD

BOARD CHARTER

A. INTRODUCTION

The Board Charter together with the Company's Articles of Association, Memorandum of Association and the charters of the Board committees provide the authority and practices for governance of the Company.

The Board Charter sets out the principle role of the Board of Directors ("the Board"), the demarcation of the roles, functions, responsibilities and power of the Board, 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.

In addition, it will assist the Board in the assessment of its own performance and of its individual Directors.

B. BOARD RESPONSIBILITIES

The Board is responsible for the proper stewardship of the Company and its subsidiaries (collectively "the Group"). The Board is also responsible for the corporate governance and performance of the Group and is also committed to achieving the highest standards of business integrity, ethics and professionalism across the Group's activities.

The Board has the following major responsibilities, which facilitate the discharge of the Board's stewardship in the pursuit of the best interest of the Group:

1. Adopting and reviewing a strategic plan for the Company and its subsidiaries;
2. Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed and sustained;
3. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
4. Succession planning, including appointing, training, fixing the remuneration of and where appropriate, replacing senior management of the Group;
5. Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
6. Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
7. Formalize company's strategies on promoting sustainability in environmental, social and governance (ESG) aspects of business. Balancing ESG aspects with the interests of various stakeholders is essential to enhance investor perception and public trust.

The Board is all fully committed to manufacture quality, safe and efficacy of pharmaceutical products that meet customer satisfaction.

It will achieve this through compliance with legislation and established worldwide standards: -

- MS ISO 9001:2008 Quality Management System Requirements
- MS ISO 13485:2006 Medical Devices – Quality Management System for Regulatory Purposes

- Guide of Good Manufacturing Practice of Pharmaceutical Product as per Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme guideline.
- Establishing quality policy which is shared to all our employees to ensure mutual understanding
- Setting measurable quality objectives in line with company's business direction

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

C. 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 Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main LR").

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 will assess the independence of its Independent Directors on an annual basis.

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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”).

In the event of any vacancy in the Board, resulting in non-compliance with the Main LR, the Board must ensure that the vacancy is filled within 3 months.

On boardroom diversity, the Board will review the appropriate skills, experience and knowledge required of the Board members, in the context of the needs of the Group. The Board will review its composition and size from time to time to ensure its appropriateness. The Board shall be responsible for recommending its members for election by the shareholders.

2. Directors' Responsibilities

2.1 The Directors will direct the management of the business and affairs of the Group.

2.2 Each Director will attend substantially all the meetings of the Board and substantially all the meetings of each committee on which the Director serves.

2.3 Each Director will review, before attending meetings of the Board or committees, all materials provided by the Company relating to matters to be considered at the meetings.

3. Director Qualification Standards

Each Director must have the following qualifications and commitments:

- (a) Education and experience that provides knowledge of business, financial, government or legal matters that are relevant to the Company's business or its status as a publicly owned company;
- (b) An unblemished reputation for integrity;
- (c) A reputation for exercising good business judgment;
- (d) Sufficient available time to be able to fulfill his or her responsibilities as a member of the Board and of any committees to which he or she may be appointed. 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.

4. New Board Members

New Board Members shall be briefed on the terms of their appointment, their duties and obligations and on the operations of the Group. Copies of the following shall be provided to the newly appointed Director:

- i. Board Charter;
- ii. Memorandum & Articles of Association;

- iii. Directors' Code of Ethics;
- iv. Board committees' composition and terms of reference;
- v. Latest business plan;
- vi. Latest annual reports and financial statements; and
- vii. Organisation chart

On the appointment of new Director, the new Director is required to attend the Mandatory Accreditation Programme (MAP) conducted by Bursa Malaysia Securities Berhad ("Bursa Securities").

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.

An internal induction programme, which includes a briefing by the Managing Director, is a prerequisite to becoming a member of the Board. The aim is to facilitate understanding of the Group's operations and expose them to its corporate culture. A new Director will have the opportunity to participate in the Group's offices and manufacturing plants tour and participate in discussions with the senior members of the Management team during the orientation.

The Directors' Code of Ethics is as set out in Appendix B.

5. Division of Roles between Chairman of the Board and Managing Director

5.1 There must be clear division of the roles and responsibilities of the Chairman of the Board and the Managing Director (“MD”) to ensure that there is a balance of power and authority. The Chairman of the Board is responsible for ensuring the Board’s effectiveness and conduct as described below whilst the MD has overall responsibility over the business units and day-to-day management of the Company, organizational effectiveness and implementation of Board policies, strategies and decisions. The position of Chairman and MD shall be held by different individuals, and the Chairman must be a non-executive member of the Board. The Board must comprise a majority of independent directors where the Chairman of the Board is not an Independent Director.

5.2 In respect of running the Board, the Chairman is responsible for the following: -

- (a) The working of the Board;
- (b) The balance of membership, subject to Board and shareholders’ approval;
- (c) Ensuring that all relevant issues are on the agenda;
- (d) Ensuring that all Directors are enabled and encouraged to play their full part in the Board’s activities. This includes ensuring that the Directors, especially the Non-Executive Directors receive timely, relevant information tailored to their needs and they are properly briefed on issues arising at Board meetings; and ensuring that the Executive Director looks beyond his executive function and accepts his full share of responsibilities of governance.

5.3 The responsibilities of the MD amongst others are as follows: -

- (a) To develop and implement corporate strategies for the Group;
- (b) To regularly review the heads of divisions and departments who are responsible for all functions contributing to the success of the Group;

- (c) To ensure the efficiency and effectiveness of the operation for the Group;
- (d) To assess business opportunities which are of potential benefit to the Group;
- (e) To bring material and other relevant matters to the attention of the Board in an accurate and timely manner.

5.4 The responsibilities of the Independent Non-Executive Directors include the following: -

- (a) To provide independent and objective views, advice and judgment to ensure that the interests of the Group, shareholders and stakeholders are well taken into account;
- (b) To bring impartiality and scrutiny to Board deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective manner;
- (c) To constructively challenge and contribute to the development of the business strategies and direction of the Group.

Regular review of the division of responsibilities should be conducted to ensure that the needs of the Group are consistently met.

6. Division of Roles between the Board and the Board Committees and between the Board and Management

6.1 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:

- Audit Committee;
- Nomination Committee;
- Remuneration Committee; and

- ESOS Committee

The Committees shall operate under their respective charters. The Committees are authorized by the Board to deal with and to deliberate on matters delegated to them within their charters, an extract of which will be made available for reference on the Company's website. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

Although the Board has granted discretionary authority to these Committees to deliberate and decide on certain operational matters as set out in their respective charter, the ultimate responsibility for final decision on all matters lies with the Board.

6.2 There must be clear division of the roles and responsibilities of the Board and Management to ensure that there is a balance of power and authority.

The responsibilities of Management include the following:

- (a) *Planning*: Generating plans of action for immediate, short term, medium term and long-term periods;
- (b) *Organising*: Organising the resources, particularly human resources, in the best possible manner. Assembling and coordinating financial, physical, information and other resources needed to achieve the Company goals;

- (c) *Directing*: Stimulate high performance by employees, communicating and coordinating with employees to lead and enthuse them to work effectively together to achieve the goals and targets of the Company;
- (d) *Controlling*: Setting performance standards that indicate progress towards long-term goals of the Company. Evaluating the progress against the goals and targets of the Company and ensuring proper and timely execution of the same. Periodically review, evaluate and monitor performance.

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

7. Director Orientation and Continuing Education

- 7.1 The Company will make available to each new Director an opportunity to discuss the Group and its business with senior executives and inform each new Director of company policies which affect Directors, including this Board Charter.
- 7.2 The Company will make available to the Directors, at the Company's cost, professionally conducted programs regarding director responsibilities and other matters related to service on the Board.

D. BOARD PROCEDURES

The processes and procedures for convening Board meetings are set out in the Company's Articles of Association which include and are not limited to the following:

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- 1) The Board may meet together for the dispatch of business at such time and place, adjourn and otherwise regulate their meetings and proceeding as they think fit.
- 2) The quorum necessary for the transaction of the business of the Board shall be two (2).
- 3) A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretions by or under these Articles vested in or exercisable by the Board generally. Subject to the Articles of Association of the Company, questions arising at any meeting of the Board shall be decided by a majority of votes. The Chairman shall not have a casting vote.
- 4) A member of the Board, or of a committee of the Board, may participate in a meeting of the Board or the committee by means of a conference telephone or any other audio, or audio-visual, communication equipment which allows all persons participating in the meeting to hear and speak with each other. A participant shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. The meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the Chairman of the meeting then is.
- 5) A Director may, and the Secretary at the request of the member shall, summon a Board meeting at any time. Notice of a Board meeting is deemed to be duly given to a Director if it is given to him personally or by electronic communication to an address given by him to the Company for that purpose or sent in writing to him at his last-known address or another address given by him to the Company for that purpose. A Director may waive the requirement that notice be given to him of a Board meeting, either prospectively or retrospectively provided that the waiver is made and signed by the member in writing. A Director absent or intending to be absent from Malaysia may request that notices of

Board meetings during his absence be sent in hard copy form or by electronic communication to him at an address given by him to the Company for that purpose. If no request is made (and/or if no such non-Malaysian address is given) it is not necessary to give notice of a Board meeting to a Director who is absent from Malaysia.

- 6) In discharging the Directors' duties, each member of the Board is entitled to obtain independent professional advice at the cost of the Company.
- 7) Directors shall have access to management and, as necessary and appropriate, to the Group's independent advisors, in order to keep themselves fully informed of the Group's affairs and to enable them to make sound business judgments.

E. DIRECTORS REMUNERATION

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 attendance 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.

F. BOARD AND MEMBERS ASSESSMENT

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

The Nomination Committee 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.

The performance of the Group Managing Director is assessed based on the KPIs approved by the Board.

G. 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.

H. THE COMPANY SECRETARY

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

The Board should ensure it is supported by a suitably qualified and competent Company Secretary.

The Secretary is responsible for ensuring that the Board's policies and procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are compiled

with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

The Board shall consult the Company Secretary on procedural and regulatory requirements.

I. RELATIONSHIP BETWEEN THE BOARD AND SHAREHOLDERS, INSTITUTIONAL INVESTORS, MEDIA, CUSTOMERS, ETC

The Board will use its best endeavour to familiarise itself with issues of concern to Shareholders.

The Board believes that Management speaks for the Group. Nevertheless, individual board member may, from time to time at the request of the Management, meet or otherwise communicate with various constituencies that are involved with the Group. Comments from the Board, if appropriate in most circumstances, shall come from the Chairman/GMD.

The Board should take active steps to encourage shareholder participation at general meeting. The board should disclose all relevant information to shareholders to enable them to exercise their rights. The board should encourage poll voting to facilitate greater shareholder participation.

The Board shall also appoint amongst its members an Independent Non-Executive Director to be called Senior Independent Director, to whom concerns from other Directors, public or investors may be conveyed. Inquiries or complaints about decisions or actions taken by the Group should be addressed to the Senior Independent Director.

J. REVIEW OF THE BOARD CHARTER

This Charter shall be periodically reviewed and may be amended by the Board as it deems appropriate.

MATTERS RESERVED FOR COLLECTIVE DECISION OF THE BOARD

The authorities of the Board are specified below. The authorities may be varied from time to time as determined by the Board.

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 members.
4. Approval of terms of reference of board committees and amendments to such terms.

Remuneration

1. Approval/recommendation of the directors' fee/remuneration arrangements for non- executive directors.
2. Approval of the remuneration structure and policy for MD, Chief Executive and Executive Directors.
3. Approval of remuneration packages for MD, Chief Executive and Executive Directors.
4. 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.

Financial

1. Approval of interim and annual financial statements.
2. Approval for the release of financial announcements.
3. Approval of the Annual Director's 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 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 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 matters 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.

DIRECTORS CODE OF CONDUCT

Board Members are required to observe the Directors' Code of Conduct as follows:

1. Compliance at all times with this Code of Conduct and the Board Charter.
2. Observe high standards 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 interest of the Company and Group.
5. Not misuse information gained in the course of duties for personal gain or for political purposes, nor seeks to use the opportunity of the service as directors to promote their private interests or those of connected persons, firms' businesses or other organisations.
6. Uphold accountability at all times, this includes ensuring that the Company's resources are properly safeguarded and the Company conducts its operations as economically, efficiently and effectively as possible 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 interest that may conflict with directors' responsibilities. Guidance on declaration and registration of interest is given in the section entitled "Declaration of Interest" below.
9. Follow the guidelines on acceptance of gifts and hospitality as stated in the section entitled "Guidelines on Acceptance of Gifts" below.

Declaration of Interests

Subject to the requirements of any acts, rules or regulations that are in force from time to time and in addition to such mandatory requirements, members of the Board are required to notify the Company Secretary changes in the following:

1. Shareholding in the Company and its related corporations, whether direct or indirect; and
2. Directorship or interest in any other corporations.

In addition to the above, member of the Board who has a material interest, either directly or through a partner, spouse or close relative, in matters being considered by, or likely to be considered by the Board should declare that interest. Such declarations should describe the interest clearly and state whether it carries direct or indirect financial benefits. This requirement also applies to members of senior management.

Relevant interests in this context are as follows:

1. Executive and non-executive directorships of, significant shareholding in, or employment by, public or private companies likely or possibly seeking to do business with the Company.
2. Ownership or part-ownership of, or employment by, businesses or consultancies likely or possibly seeking to do business with the Company.

Register of Interest

The Code requires that a formal register of interest be established. The Register should include details of all directorships and other relevant interests declared by Board Members and members of senior management.

The register should keep up-to-date through an annual survey of members' interest, carried out by the Company Secretary.

Conduct in Meetings

Any Board Member who has a clear and substantial interest in a matter under consideration by the Board should declare that interest at any meeting where the matter is to be discussed, whether or not that interest is already recorded in the register. The Board Member concerned should withdraw from the meeting during the relevant discussion or decision.

New Directorships

Board Members should notify the Chairman before accepting any new directorship in any Public Listed or Private Companies which includes an indication of time that will be spent on the new appointment.

Membership of Committees

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.

Guidelines of Acceptance of Gifts

The following set out guidelines on acceptance of gifts:

1. The conduct of individuals must not create suspicion of any conflict between their position as a member of the Board and any private interest;
2. Board Members acting as such must not give the impression that they have been influenced by a benefit to show favour or disfavour to any person or organisation having dealings with the Company;

3. Board Members must not accept any benefits as an inducement or reward for taking any action (or specifically not taking any action) in their official capacity as a Board Member; and
4. Gifts other than of token value should generally be refused.