

# **Board Charter**

**OSKH-CS-POL-004-3**

**18 November 2020**

**OSK**

<b>OSK Holdings Berhad</b> 199001015406 (207075-U)	<b>18 November 2020</b>
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## Revision History Log

<b>Ver. No</b>	<b>Section</b>	<b>Section Name</b>	<b>Page</b>	<b>Details of Amendments</b>	<b>Effective Date</b>	<b>e-Circular No.</b>
1	All	All	All	Document published	Feb 2013	NIL
2	All	All	All	Refer to the Summary of Changes	28 Feb 2018	OSKH/CS/CIR/003
3	All	All	All	Refer to the Summary of Changes	18 Nov 2020	OSKH/CS/CIR/004

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## Glossary

<b>Term</b>	<b>Description</b>
"AGM"	Annual General Meeting
"Board"	The Company's Board of Directors
"Bursa Malaysia"	Bursa Malaysia Securities Berhad
"CA"	Companies Act 2016
"Charter"	Refers to this Board Charter of OSK Holdings Berhad
"Company" or "OSK"	OSK Holdings Berhad
"Director"	A member of the Board, which include both Executive and Non-Executive Directors
"Executive Director"	A Director with executive powers and who participates in the management of the Company
"GMD"	Group Managing Director of the Company
"Independent Director"	A Director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company and who satisfies the criteria for "independence" set out in the Listing Requirements.
"Listing Requirements"	Main Market Listing Requirements of Bursa Malaysia, including any Practice Notes issued in relation thereto
"MCCG"	Malaysian Code on Corporate Governance
"Non-Executive Director"	A Director without executive powers and who does not participate in the management of the Company
"NRC"	Nomination and Remuneration Committee
"OSK Group" or "Group"	OSK Holdings Berhad and its subsidiaries, collectively
"Senior Management"	Executive Directors and members with management authority who report directly to the Executive Directors

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## A. POLICIES

### A1. Overview

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- 1. Principle**
    - The principles set out in this Charter shall be kept under review and updated as practices on Corporate Governance develops and further guidelines on Corporate Governance are issued by the relevant regulatory authorities.
  
  - 2. Objectives**
    - The objectives of this Charter are to ensure that:
      - all Board members acting on behalf of the Company are aware of their fiduciary duties and responsibilities as members of the Board and the various legislations and regulations affecting their conduct;
      - the need to safeguard the interests of the shareholders, customers and all other stakeholders; and
      - the highest standards of Corporate Governance are applied in all their dealings in respect, and on behalf of the Company.
  
  - 3. Review**
    - The Board should review the Charter from time to time to ensure its applicability to the Company's current situation.
    - The Board must at all times ensure that the Company complies with the Listing Requirements and CA.
    - Should Listing Requirements or CA be amended for any reason whatsoever, the amendment of which affects the contents of this Charter, the amended Listing Requirements or CA shall take precedence over the Charter.
  
  - 4. Reference**
    - This Charter shall be read in conjunction with the following:
      - Companies Act 2016 ("CA")
      - Listing Requirements of Bursa Malaysia
      - Constitution of the Company
      - Malaysian Code on Corporate Governance
      - Corporate Governance Guide by Bursa Malaysia

**Note:**

Words incorporating the singular shall, where applicable, include the plural and vice versa.

Words incorporating the masculine gender shall, where applicable, include the feminine gender and vice versa.

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End

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## A. POLICIES

### A2. Board's Responsibilities

#### 1. Duties and Responsibilities of the Board

- The Board is responsible for steering the businesses and affairs of the Group on behalf of the shareholders with a view towards enhancing their long-term value. The Board is responsible for establishing corporate goals and approving the strategic direction for the Group. The Board also plays a critical role in ensuring that sound and prudent policies and practices are in place and performs an oversight role in the management of the Group's businesses.
- The major responsibilities of the Board in the pursuit of the best interest of the Company, are as follows:
  - Together with Senior Management, promoting good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
  - Reviewing and approving the strategies (including promoting sustainability), business plans and policies;
  - Establishing Key Performance Indicators ("KPI");
  - Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and sustained;
  - Ensuring competent management and succession planning;
  - Ensuring sound risk management framework and policies;
  - Reviewing the adequacy and integrity of the Company's internal control systems;
  - Establishing procedures governing self-serving practices and conflicts of interest;
  - Establishing Board Committees, whenever necessary;
  - Approving transactions or activities which are beyond the individual discretionary powers of Management, Management Committees or Board Committees delegated by the Board;
  - Ensuring the Company has in place procedures to enable effective communication with stakeholders; and
  - Ensuring the integrity of the Company's financial and non-financial reporting.

**Note:**

Refer to Terms of Reference of the Board in Appendix A

#### 2. Code of Conduct and Business Ethics

- The Director should observe the Code of Conduct and Business Ethics at all times.

**Note:**

Refer to Code of Conduct and Business Ethics in Appendix B

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### 3. Roles of the Chairman and GMD and Separation of these Positions

- The Chairman carries an important role in encouraging a healthy debate on critical issues and brings to the Board the required level of independence and professional skepticism. The Chairman should not be the Chairman of Audit Committee.
- For the effective functioning of the Board, the positions of Chairman and GMD should be held by different individuals. There must be a clear division of responsibilities between the Chairman and the GMD.

**Note:**

Refer to Roles of Chairman and GMD in Appendix C

### 4. Functions of the Board and Management

- The Board is responsible for the oversight and overall management of the Company. The Board reserves certain powers for itself and delegates certain matters, such as the day-to-day management of the Company to the Executive Directors and the Group Executive Committee ("EXCO"). Such delegations are subject to strict approving authority limits.

**Note:**

Refer to Terms of Reference of Group EXCO in Appendix D

- The matters reserved for the collective decision of the Board are:
  - Appointment of new Directors and Chairman (Board and Board Committees);
  - Changes to the Constitution of the Company;
  - Alterations of capital and new issuance of securities;
  - Modification to class rights;
  - Corporate restructurings;
  - Payment of interim dividend and recommendation of final dividend for shareholders' approval;
  - Significant related party transactions and capital financing;
  - Decisions on material transactions/major investments and matters that have significant impact to the Group;
  - Major capital expenditure, acquisitions or disposal of a business or assets in excess of authority levels delegated to Management; and
  - Other transactions requiring Board and shareholders' approval.

### 5. Role of the Senior Independent Director

- The Board should appoint amongst its members a Senior Independent Director to act as:
  - a sounding board for the Chairman;
  - an intermediary for other Directors when necessary; and
  - the point of contact for shareholders and other stakeholders.

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## **A. POLICIES**

### **A3. Board Membership**

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- 1. Composition of the Board**
- The Board is responsible to determine the appropriate size of the Board, which should not be less than two (2) as provided in the Company's Constitution and ensure that it is well represented by individuals with diverse professional backgrounds and experience.
  - At least two (2) Directors or one third (1/3) of the Board, whichever is higher, shall be Independent Directors as defined in the Listing Requirements.
  - To the extent where practicable, the Board should comprise at least half of Independent Directors. A board comprising a majority of Independent Directors allows more effective oversight of management.
  - The Board is responsible to determine the appropriate size and composition of the Board with regard to the mix of skills, independence, competencies and diversity (including gender diversity) and ensures that it is well represented by individuals with diverse professional backgrounds and experience.
- 2. Board Independence**
- Independent Director refers to a Director who:
    - is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company; and
    - satisfies the criteria for "independence" sets out in the Listing Requirements.
  - The Board, through NRC, shall assess the independence of Directors upon appointment and annually through a self-declaration process undertaken by each Independent Director.
  - The Board should focus not only on whether a Director's background and current activities that qualify him or her as independent, but also whether the Director can act independently in discharging his/her responsibilities.
  - The Board recognises the risk of familiarity impeding the objectivity of Independent Directors and adopts a policy which limits the tenure of an Independent Director to nine (9) years.

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### 3. Diversity and Inclusion

- The diversity of the Board and Senior Management's composition is important to facilitate decision making process by harnessing different insights and perspectives.
- The Board is supportive of gender diversity in the boardroom as recommended by MCCG and has developed the Diversity and Inclusion Policy to promote the representation of women in the composition of the Board. The Diversity and Inclusion Policy also includes, but is not limited to, the Group's commitment to diversity in terms of age, ethnicity and cultural background. To the extent where practicable, the Board should have at least 30% women Directors.
- The Board through the NRC should review annually the diversity of the composition of the Board and Senior Management.

**Note:**

Refer to Diversity and Inclusion Policy in Appendix E

### 4. Appointment of the Board

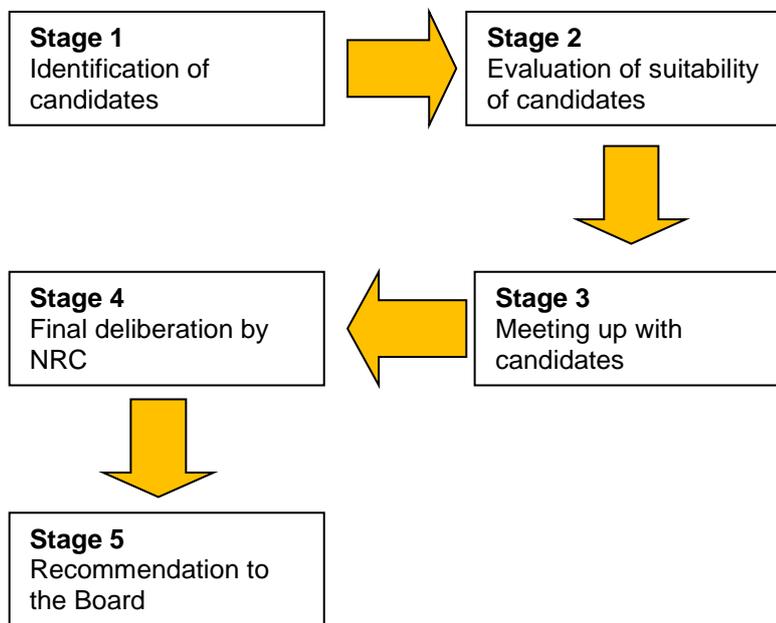
- The primary responsibility on screening, evaluating and nominating new Board Member(s) for appointment is delegated to the NRC. The NRC comprises exclusively Non-Executive Directors, a majority of whom are independent and its Chairman should be the Senior Independent Director. This composition ensures that any decisions made are impartial and are in the best interest of the Company.
- The NRC is responsible to conduct all Board appointment processes in a manner that promotes diversity and make independent recommendations to the Board the suitable candidates for appointment as Directors, as well as filling the seats on Board Committees, and for appointment of Key Senior Management of the Company after considering the requisite skills and core competencies of the candidates.
- The Company has established Fit and Proper Standards for Directors and Key Senior Management, to ensure that they are of high calibre, sound judgement, high integrity and credibility on a continuing basis.

**Note:**

Refer to Fit and Proper Standards for Directors and Key Senior Management in Appendix F

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- The Company's nomination process for the appointment of Directors sets out a clear and transparent nomination process. The nomination process involves the following five (5) stages:



## 5. New Board Member

- The newly appointed Directors shall be briefed on the terms of their appointment, their duties and obligations and on the operations of the Group, which aims at communicating to the newly appointed Directors; the Group's vision and mission, the philosophy and nature of the business, current issues within the Group, the corporate strategy and the expectations of the Group. Copies of the following shall be provided to the newly appointed Directors:
  - Board Charter and Board's Terms of Reference;
  - Constitution of the Company;
  - Code of Conduct and Business Ethics;
  - Respective Board Committee's Terms of Reference and its composition;
  - Organisation Chart;
  - Latest Annual Report and Financial Statements;
  - Latest Business Plan, if available; and
  - Any other documents deemed necessary by the Board.

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## 6. Evaluation of the Board

- The Board shall, through the NRC, undertake an annual evaluation to assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director. The annual evaluation should also review the required mix of skills, experiences and other qualities of the Board Members, independence of Independent Directors and the training programmes attended by the Board Members during the financial year. The NRC, at the same time, should review the diversity of the Board Members taking into consideration the appropriate skills, experience and characteristics required of the Board Members, in the context of the needs of the Group.
- An evaluation mechanism is designed to assess the performance of the Executive Chairman, GMD, Board and each individual director.

**Note:**

Refer to Assessment Mechanism and Measurement System for Executive Chairman, Group Managing Director, Board of Directors and Individual Board Members in Appendix G.

- Subject to the Company's Constitution, the Directors who are due for retirement and re-election at the AGM should be first assessed by the NRC, which will then submit its recommendation to the Board for deliberation and approval. Upon obtaining the Board's endorsement, the same will be recommended for shareholders' approval at the AGM.

## 7. Remuneration of the Board

- The Directors' remuneration is generally determined at levels which would continue to attract and retain Directors of such calibre to provide the necessary skills and experience as required and commensurate with the responsibilities for the effective management and operations of the Group.
- The NRC is delegated by the Board, to develop a formal and transparent policy and framework on the remuneration of Directors, GMD, Chairman and Key Senior Management as well as to review their remuneration packages. The NRC is guided by the Remuneration Policy in determining the remuneration packages of Directors which is a matter for the Board as a whole following the relevant recommendation made by the NRC. However, the Director concerned should abstain from discussion on his/her own remuneration.
- For the Executive Directors, the component parts of remuneration are structured so as to link rewards to corporate and individual performance. A significant portion of the Executive Directors' compensation package has been made variable in nature to be determined by the Group's performance during the year against the individual KPI aligned with the corporate objectives.

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- For the Non-Executive Directors, the level of remuneration generally reflects the responsibilities undertaken. They should be paid with a basic fee as ordinary remuneration, a sum based on their responsibility in Board Committees, meeting allowance and reimbursement of reasonable expenses incurred in the course of their duties.

**Note:**

Refer to Remuneration Policy in Appendix H

**8. Board Appointment in Other Companies**

- Directors are expected to devote sufficient time and attention to the affairs of the Company. Any Director is, while holding office, at liberty to accept other Board appointment(s) in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company.
- The 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. The Directors must not hold more than five (5) directorships in listed companies to enable Directors to have sufficient time to focus and fulfill their roles and responsibilities effectively.

**9. Continuous Development and Training**

- All Directors should continually participate in the necessary training programmes to keep abreast with the latest developments in the industry and changes in laws and regulations.
- The Board through the NRC should undertake an annual assessment of training needs of each Director.

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End

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## A. POLICIES

### A4. Board Structures 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 and in-depth consideration. All such committees shall be governed by their respective written terms of reference which state clearly the extent and limits of their responsibilities and authority, specifically whether they have the authority to decide on certain matters on behalf of the Board or are to report back to the Board.
- The relevant Board Committees established are as follows:
  - Audit Committee
  - Risk Management Committee
  - Nomination and Remuneration Committee

**Note:**

Refer to Terms of Reference for Audit Committee in Appendix I  
Refer to Terms of Reference for Risk Management Committee in Appendix J  
Refer to Terms of Reference for Nomination and Remuneration Committee in Appendix K

#### 2. Board Meetings

- The Board shall meet at regular intervals throughout the year. The Board Meetings for each financial year should be scheduled in advance before the end of the preceding financial year, to enable the Directors to organise their plans and activities ahead.
- The notices of meetings and the meeting papers, which are complete and accurate, should be distributed to the Directors at least 5 business days before the scheduled meeting, to allow the Directors to have sufficient time in reviewing the papers and preparing for the meeting.
- The decision of the Board must be clearly recorded in the minutes of the meeting, including whether any Director abstained from voting or deliberating on a particular decision, the rationale of each decision, clear actions to be taken with the agreed timeline, if applicable, and the Management responsible for implementation.
- The draft minutes of meeting should be made available to all Board members before the next meeting.

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## **A. POLICIES**

### **A5. Effective Communication**

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#### **1. Dynamic Interaction and Open Communication between the Board and Management**

- There must be a strong trust-based relationship between the Board and the Management, with the Board constructively challenging and at the same time supporting the Management, the Management in turn should report to the Board in a similar manner.
- The Board must be furnished with sufficient information, analysis and options in making decision. They have unrestricted access to the Company's information and receive regular information updates from the Management.
- The Board has complete and unhindered access to the Management and the Company Secretary at any time and if necessary, to seek independent professional advice at the Company's expense, which is needed to assist them in carrying out their duties.

#### **2. Communication with the Shareholders and Investors Relations**

- The Board recognises the importance of accurate and timely dissemination of information to the shareholders and potential investors. As such, the Board should adopt an effective communication policy in respect of its communication with its shareholders and potential investors.
- The Board should maintain an ongoing communication process to ensure that the shareholders are kept informed appropriately on major developments within the Group on a timely basis.
- Some of the communication channels used by the Company to disseminate information on a timely basis to the shareholders are:
  - Company's announcements to Bursa Malaysia;
  - Press releases;
  - Company's website; and
  - General meetings.
- The Board shall ensure timely release of financial results on a quarterly basis in order to provide the shareholders with an overview of the Company's performance and operations.
- There is assigned personnel in-charge of addressing inquiries from shareholders, investors and the public. The Senior Independent Director of the Company should also serve as the principal conduit to whom concerns of shareholders may be conveyed.

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### **3. General Meetings**

- An AGM shall be held once in every year at such time (not being more than 15 months after the holding of the preceding AGM and at such place as may be determined by the Directors.
- The notice of AGM shall be sent out to the shareholders at least 21 days before the scheduled AGM. The Board is supportive of 28 days' notice to be given as recommended by MCCG and shall endeavour to meet the recommendation.
- All Directors should attend the AGM to provide opportunity for shareholders to effectively engage each Director. The Chairman, GMD and the Chairmen of the Board Committees should undertake to respond to the shareholders' queries during the AGM.

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End

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## A. POLICIES

### A6. Company Secretary

#### 1. General

- The Board must ensure that the Company Secretary appointed has the relevant experiences and skills. The appointment or removal of the Company Secretary shall be the prerogative of the Board.
- The Company Secretary should be in a position to advise the Board and the Board Committees on issues relating to corporate governance, compliance with the laws, rules, procedures and regulatory requirements.
- In line with the MCCG, the roles and responsibilities of the Company Secretary include, but are not limited to the following:
  - Manage all Board and Board Committee meeting logistics, attend and record minutes of all Board and Board Committee meetings and facilitate Board communications;
  - Advise the Board on its roles and responsibilities;
  - Facilitate the orientation of new directors and Directors' training and development;
  - Advise the Board on corporate disclosures and compliance with company and securities regulations and Listing Requirements;
  - Manage processes pertaining to the annual shareholders' meeting;
  - Monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and
  - Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

**Note:**

Refer to Code of Ethics for Company Secretary in Appendix L

End

### A7. Stakeholders

#### 1. General

- The Board should ensure that the Company adopts comprehensive and documented policies and procedures for the respective stakeholders.

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## B. Appendix Listing

#	Topic	Appendix Ref. #	Section Ref. #
A.	Terms of Reference for Board of Directors	OSKH-CS-TOR-001-3	A.2.1
B.	Code of Conduct and Business Ethics	OSKH-GHR-POL-001-1	A.2.2
C.	Role of Chairman and Group Managing Director	OSKH-CS-OTH-001-2	A.2.3
D.	Terms of Reference for Group Executive Committee	OSKH-CS-TOR-002-2	A.2.4
E.	Diversity and Inclusion Policy	OSKH-CS-POL-003-2	A.3.3
F.	Fit and Proper Standards for Directors and Key Senior Management	OSKH-CS-OTH-002-3	A.3.4
G.	Assessment Mechanism for Executive Chairman, Group Managing Director, Board of Directors and Individual Board Members	OSKH-CS-OTH-003-2	A.3.6
H.	Remuneration Policy	OSKH-CS-POL-002-2	A.3.7
I.	Terms of Reference for Audit Committee	OSKH-CS-TOR-003-3	A.4.1
J.	Terms of Reference for Risk Management Committee	OSKH-CS-TOR-004-2	A.4.1
K.	Terms of Reference for Nomination and Remuneration Committee	OSKH-CS-TOR-005-3	A.4.1
L.	Code of Ethics for Company Secretary	OSKH-CS-POL-005-2	A.6.1