

# **JF TECHNOLOGY BERHAD**

(Company No.747681-H)

## **BOARD CHARTER**

(Revised and Adopted on 21 September 2018)

### **1. Introduction**

The Board of Directors (“Board”) of JF Technology Berhad (“**JFB**” or “the Company”) regards corporate governance as important principles and best practices to be upheld, and will continuously implement and carry out good governance practices throughout the Company and its subsidiaries (“Group”), with the ultimate objectives to enhance the Group’s business prosperity and corporate accountability and to protect and enhance shareholders’ value.

### **2. Interpretation**

AGM	: Annual General Meeting
Board	: Board of Directors of the Company
Bursa Securities	: Bursa Malaysia Securities Berhad
Chairman	: Chairman of the Board
Company or JF Bhd	: JF Technology Berhad
CSR	: Corporate Social Responsibility
Director(s)	: A member of the Board
Executive Directors	: Directors with executive powers and oversee the day-to-day management of the Company, excluding the GMD
GMD	: Group Managing Director
Group	: JF Technology Berhad and its subsidiaries
Independent Director(s)	: A Director who does not participate in the management of the Company and satisfies the criteria for “independence” as set out in Bursa Securities LR
Management	: Management personnel of the Company
LR	: Ace Market Listing Requirements
MCCG	: Malaysian Code on Corporate Governance
Non-Executive Directors	: Directors without executive powers and do not participate in the day-to-day management of the Company

### **3. Purposes/Objectives of the Board Charter**

The objectives of this Board Charter are to ensure that all Board members are fully aware of their roles and responsibilities as Board members and the various regulations that may have an impact on the discharge of the Board's responsibilities. In pursuit of the principles set out in this Board Charter, the Board shall commit to employ the principles of integrity, transparency and professionalism to ensure that the principles of good corporate governance are applied in all of the Group's business dealings in respect of its shareholders and relevant stakeholders and the shareholders' investment and value and the interests of the stakeholders are safeguarded.

### **4. The Board (Board Structure)**

#### **4.1 Board's Overall Responsibilities**

- i. The Board is accountable and responsible for leading and controlling the Group towards realizing long term shareholders' value, overseeing the performance and affairs of the Group and is committed to strive towards the highest standards of corporate governance of the Group and also to optimise long-term financial returns and the enhancement of shareholders' value. The Board shall strive to ensure that the Group are managed to achieve this result. This is an active, not a passive, responsibility. The Board must ensure that in good times, as well as difficult ones, management is capable of executing its responsibilities.
- ii. The Board has the overall responsibilities for corporate governance, strategic direction, formulation of policies and overseeing the investment and business of the Group.
- iii. In addition to fulfilling its commitment for increased shareholder value, the Board shall endeavour to uphold the interests of the Group's customers, employees, suppliers and the communities where it operates, but bearing in mind the circumstances and requirements for successful business.
- iv. The duties, powers and functions of the Board are governed by the Constitution of the Company, the Companies Act 2016, regulatory guidelines and requirements that are in force.

## 4.2 Roles and Responsibilities of the Board

The Board reviewed the sustainability, effectiveness and implementation of the strategic plans for the financial year under review and provided guidance and input to Management. To ensure the effective discharge of its functions and duties, the principal responsibilities of the Board include the following:-

- i. review and adopt strategic business continuity plans for the Company and the Group;
- ii. oversee and monitor the conduct of the Group's businesses and financial performance;
- iii. review and adopt budgets and financial results of the Company and the Group, monitor compliance with applicable accounting standards and the integrity and adequacy of financial information disclosures;
- iv. identify principal risks and ensure the implementation of appropriate systems to manage these risks; and
- v. review the adequacy and integrity of the Company's and the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- vi. To ensure a competent management by establishing policies for strengthening the performance of the Group with a view to proactively build the business through innovation, initiative, technology, new products and the development of its new business market.

## 4.3 Roles and Responsibilities of Chairman

i. The Chairman of the Board is an Independent Non-Executive Director. He is primarily responsible for the orderly conduct and function of the Board and providing a balance to the influence of the Group Managing Director ("**GMD**")/Chief Executive Officer ("**CEO**") of the Company.

ii. The roles and responsibilities of the Chairman, amongst others, are as follows :-

- leading the Board in setting the values and standards of the Company and the Group;
- Maintaining a relationship of trust with and between the Executive and Non-Executive Directors;
- Ensuring the provision of accurate, timely and clear information to the Directors;
- Ensuring the integrity and effectiveness of the governance process of the Board;
- Ensuring effective communication with shareholders and relevant stakeholders;
- Arranging regular evaluation of the performance of the Board, the Board Committees and individual Director;
- Facilitating the effective contributions of the Directors; and
- Setting the agenda for Board meetings and ensuring that all relevant issues are on the agenda, in consultation with the GMD and the Company Secretaries.

#### 4.4 Roles and Responsibilities of GMD/CEO

The GMD/CEO is responsible for the day-to-day running of the Group's business, implementation of the Board's policies and making operational decisions. He is assisted in managing of the Group's business by the Management. The roles of the GMD/CEO are as follows :-

- Developing the strategic direction of the Group, with consultation and approval of the Board;
- Ensuring the effective implementation of the Group's business plan and policies established by the Board to achieve the corporate objectives;
- Accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Group;
- Monitoring performance results against business plans; and
- Ensuring compliance with governmental procedures and regulations.

Overall, the GMD is the leader to the whole Management team and is required to set high standard of good governance and examples to the employees of the Group during its day-to-day management.

#### 4.5 Board Composition

The Board currently comprises four (4) Independent Non-Executive Directors and three (3) Executive Directors.

The Independent Non-Executive Directors play a pivotal role in corporate accountability, which is reflected in their membership of the various Board Committees and their attendance of meetings as detailed below. The significant contributions of the Independent Non-Executive Directors in the decision making processes are evidenced in their participation as members of the various Committees of the Board. In addition, the Independent Non-Executive Directors ensure that matters and issues brought up to the Board are fully discussed and examined, taking into account the stakeholders' interests in the Group. The profiles of the members of the Board, as set out in this Annual Report, demonstrate the complement of skills and experience that the Directors value add on issues of strategy, performance, control, resource allocation and integrity.

The assessment of the independence of each of its Independent Non-Executive Director is undertaken annually according to set criteria as prescribed by Bursa Securities ACE LR. The Board has assessed and concluded that all the Independent Non-Executive Directors of the Company continue to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them is independent of the Company's 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

The Executive Directors together with Management team shall be responsible for making and implementing the operational decisions. The Non-Executive Directors play a key supporting role in contributing their skills, expertise and knowledge towards the formulation of the Group's strategic and corporate objectives, policies and decisions.

There is a separation of the role between the Company's Chairman and GMD to ensure a clear division of responsibilities and a balance of control, power and authority.

#### **4.6 Board Tenure**

In accordance with Article 112 of the Articles of Association of the Company, every newly appointed Director shall hold office only until the next following AGM subsequent to their appointment and shall then be eligible for re-election. Further, one-third (1/3rd) of the Board shall retire from office and be eligible for re-election at every AGM and all Directors shall submit themselves for re-election once at least in each three (3) years.

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director.

The Board may retain an Independent Director who has served the Board for a cumulative term of nine (9) years by providing justification and seek annual shareholders' approval at AGM. In the event the Board wishes to retain an Independent Director who has served the Board for more than twelve (12) years, the Board should provide justification and seek annual shareholders' approval at AGM through a two-tier voting process.

The two-tier voting process shall have the same meaning as defined in the MCCG.

#### **4.7 Nomination and Appointment**

The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination Committee. The Board does not solely rely on recommendations from existing Directors, Management or major shareholders but utilises independent sources to identify suitable qualified candidates, if required.

The directorships held by any Director shall not exceed five (5) listed companies pursuant to Bursa Securities Listing Requirements.

## **5. Board Processes/Meetings**

### **5.1 Frequency**

The Board schedules at least four (4) meetings a year at quarterly intervals with additional meetings convened whenever urgent or important matters and decisions are required.

### **5.2 Agenda and Meeting Papers**

The notice of board meeting and the supporting board papers should be given at least three (3) business days in advance at each Board meeting and all Directors are expected to review in advance any such material in order to facilitate meaningful deliberation during each meeting.

### **5.3 Minutes**

All deliberations of the issues discussed and the decision thereof are minuted and signed by the Chairman of the subsequent meeting after confirmed by the Board.

### **5.4 Access to Information and Independent Professional Advice**

The Board is provided with appropriate information and comprehensive Board papers on a timely basis prior to Board meetings to enable the Directors to discharge their duties and responsibilities competently and in a well-informed manner. Management is invited to attend the Board and Committees meetings and to brief and provide explanations to the Directors and Committees members on the operations of the Group.

The Board recognises the importance of reviewing and adopting a strategic plan and overseeing the conduct of the businesses to ensure that the businesses are being properly managed. Presently, the performance of the Group is reviewed by the Board in consideration of the quarterly financial results.

The proceedings and resolutions passed at each Board meeting are minuted and kept in the statutory minutes book at the registered office of the Company.

The Company shall provide to all Directors (whether as a full Board or in their individual capacity) with timely and quality information pertaining to the Group's business and affairs and in the form and manner appropriate for them to discharge their duties effectively.

All Directors have access to the professional advice and services of its qualified Company Secretaries in the course of discharging their duties and responsibilities on matters relating to procedures governing the Company which include the Companies Act, 2016, Bursa Securities Listing Requirements and other applicable laws, rules and regulations, either as a full Board or in their individual capacity.

## **5.5 Induction Process**

- i. Appropriate induction programme for newly appointed Directors shall be carried out by Management.
- ii. The Board shall adopt a continuous educational and training programme to update Board Members relating to new development of laws, regulations and other business and management related subjects, risks control and management subjects that may affect the Company's business and compliance requirements.
- iii. The Board shall ensure compliance of the mandatory accredited programme of Bursa Securities for newly appointed Directors and with assistance from the Nomination Committee, assess further training programme needs of the Directors on an on-going basis

The objective of the induction process is to provide Directors with a rapid and clear insight into the Group as well as keeping them abreast with development in the market place pertaining to the oversight function of Directors. This will enable the Directors to discharge their duties and responsibilities effectively.

## **5.6 Board Members' Retirement by Rotation**

All Directors shall be subject to retirement by rotation in accordance with the Company's Constitution.

## **5.7 Policy on Gender Diversity**

Although the gender diversity policy was recommended by the MCGG 2017, the Company does not have a gender diversity policy. However, the Board of Directors will review the necessity for such a policy, although currently the suitability and credibility of woman candidate has been considered by the Board.

## **5.8 Fraud and Whistle Blowing Policies**

The Board has established a Whistle Blowing Policy where Directors or employees are able to report violations of laws, rules and regulations or the Company's CCE and potential ethic violations or non-compliance to appropriate personnel.

## **6. Board Governance**

### **6.1 Conflict of Interest – Directors' Shareholdings**

All Directors, whether directly or indirectly which include person connected, have interest in a contract or proposed contract with the Company, shall declare his/her interest in accordance with the provision of the Companies Act, 2016 and Bursa Securities LR. The Director concerned shall not participate in deliberations and shall abstain himself/herself from voting in any matter arising thereof.

### **6.2 Compliance to Rules and Regulations**

The Board understands that the responsibility for good corporate governance rests with them and therefore strives to follow the practices and guidances stated in MCCG.

## **7. Board Committees**

### **7.1 Audit Committee**

The Audit Committee members from amongst themselves, comprising no fewer than three (3) non-executive directors. The majority of the Audit Committee members shall be independent directors.

*In this respect, the Board adopts the definition of "independent director" as defined under Bursa Malaysia Securities Berhad ("Bursa Securities") ACE Market Listing Requirements.*

The principles objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall : -

- (a) Evaluate the quality of the audits performed by the internal and external auditors;
- (a) Provide assurance that the financial information presented by management is relevant, reliable and timely;
- (b) Oversee compliance with laws and regulations and observance of a proper code of conduct;
- (c) Determine the quality, adequacy and effectiveness of the Group's control environment; and
- (d) Ensure financial statements comply with applicable financial report standards.



## 7.2 Nomination Committee

The Nomination Committee shall consist of at least three (3) members and all of which are Independent Non-Executive Directors. The Nomination Committee assists the Board in regards to the following :-

- To recommend to the Board of Directors, candidates for all directorships to be filled by the shareholders or the Board of Directors. In making its assessment and recommendations, the Nomination Committee should consider following criteria to be used in the recruitment process :-
  - i) Skills, knowledge, expertise and experience;
  - ii) Professionalism;
  - iii) Integrity;
  - iv) In the case of candidates for the position of independent non-executive directors, the Nomination Committee should evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors.
- To consider, in making its recommendations, candidates for directorships proposed by the GMD/CEO and, within the bounds of practicability, by any other senior executive or any director or shareholder.
- To recommend to the Board of Directors the nominees to fill the seats on Board Committees.
- To implement annual assessment on the effectiveness of the Board of Directors as a whole, the committees of the Board, as well as the contribution of each individual director, including non-executive directors and GMD/CEO. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions should be properly documented.
- To review annually, the term of office and performance of the Audit Committee and each of its members to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference of the Audit Committee.
- To ensure that the Board composition meets the needs of the Company
- To look into orientation and education programmes for new recruits to the Board
- To review the required mix of skills and experience and other qualities including core competencies which non-executive directors should bring to the Board.
- To formulate and review the succession plans for the Company's key management personnel
- To review training programmes for the Board of Directors and to facilitate Board induction and training programmes, including induction training for the new Board members
- To assess an independent director can remain as independent director after serving a cumulative term of nine (9) years. Nomination Committee must make a recommendation and strong justification to the Board of Directors.
- To act in line with the directors of the Board of Directors
- To consider and examine such other matters as the Nomination Committee considers appropriate,

### **7.3 Remuneration Committee**

The Remuneration Committee members from amongst themselves, composed exclusively non-executive directors, and a majority of them must be Independent Directors. The appointment of a Committee member terminates when a member ceases to be a director.

The primary objective of the Remuneration Committee is to assist the Board in assessing the remuneration packages of the Executive Directors with a view to ensure that a competitive remuneration package is offered to attract and retain the Executive Directors of the necessary caliber and experiences to make the Company successfully.

### **7.3 Group Risk Management Committee**

The Group Risk Management Committee assists the Board to continuously review the activities of the Group to identify key business and operational risks and where possible, implement policies and procedures to address such risks.

The Group Risk Management Committee reviews the Group's overall objectives by assessing the adequacy and effectiveness of risk portfolio composition and risk mitigation controls to determine the desired exposures of each major area of risk on a periodic basis.

## **8. Directors' Training**

In addition to the Mandatory Accreditation Programme as required by Bursa Securities, the Directors shall continue to undertake relevant training courses to keep abreast with development in the capital market, relevant changes in laws and regulations and on corporate governance matters to enhance their existing skills and knowledge in the discharge of their responsibilities.

The Board shall disclose in the Annual Report the trainings attended by the Directors.

## **9. Directors' Remuneration**

The Remuneration Committee is responsible for recommending to the Board the remuneration framework and packages of all Executive Directors. The Directors concerned shall abstain from deliberations and voting on their own remuneration.

The performance of Directors is measured by the Directors' contribution to both the Board and the Company.

The Executive Directors' remuneration is structured according to the skills, experience, responsibilities and performance of the Executive Directors as well as incorporating any market adjustment requirement.

## 10. Company Secretaries

The primary role of the Company Secretaries is to advise the Board and Board Committees on issues relating to compliance with Bursa Securities LR, laws, rules, procedures and regulations affecting the Company and the Group.

The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

## 11. Board-Shareholders Relationship - Communication /Investors Relations/AGM

The Board views the AGM as the primary forum to communicate with shareholders while the Extraordinary General Meetings (“**EGM**”) are held as and when required. Shareholders will receive annual reports and notices of AGM, which are sent out at least twenty-one (21) calendar days before the date of the AGM. In addition, the Notice of AGM/EGM will be advertised in the newspapers. The Board encourages shareholders to attend the forthcoming AGM and undertakes to answer all questions raised by the shareholders.

The proceedings of the AGM included a question and answer session in which the Chairman of the AGM would invite shareholders to raise questions on the Company’s Financial Statements and other items for adoption at the AGM, before putting a resolution to vote. The Chairman of the AGM ensures that sufficient opportunities are given for shareholders to raise issues relating to the affairs of the Company and that adequate responses are given.

The results of all the resolutions set out in the Notice of the AGM will be announced on the same day via Bursa LINK, which is accessible on Bursa Securities’ and the Company’s websites.

The Board ensures that full information of the Directors who are retiring at the AGM and willing to serve if re-elected are disclosed in the Notice of the AGM.

An explanatory note facilitating full understanding and evaluation of issues involved in the proposed resolution accompanying each item of special business is included in the Notice of the AGM.

## **12. Code of Ethics and Conduct**

The Board is aware of the need to establish a corporate culture that would foster common goal of achieving business profitability, whilst cultivating ethical business conducts. The Board has adopted Code of Ethics and Conduct which in line and consistent to its stand under the Corporate Vision, Mission, Core Pillars and Core Values. A copy of the Code of Ethics and Business Conduct is published in the Company's website at [www.jftech.com.my](http://www.jftech.com.my).

## **13. Stakeholders Relationship** **- External Auditors / Internal Auditors and CSR**

### **a) External Auditors and Internal Auditors**

The Board, through the Audit Committee, maintains a formal and transparent relationship with its external auditors and internal auditors in seeking their professional advices. The Board meets its internal auditors on quarterly basis.

The Audit Committee also meets with the external auditors without the presence of the Executive Directors and Management twice a year regarding audit planning and other relevant audit and accounting issues.

### **Internal Audit Function**

i. With regard to internal audit function, the Company outsourced its internal audit function to a firm of consultants ("Internal Auditors") which provides the Board with the level of assurance required on the adequacy and integrity of the system of internal control. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the updated risk profile of the Company.

ii. The objectives of the assignment are to independently review the system of internal control as established by Management, the adequacy of such internal control system in relation to the objectives and make appropriate recommendations for improvement.

Management shall carry out two cycles of internal audit for each financial year under review, and findings from the internal audit shall be communicated to the Audit Committee for review and endorsement.

iii. The Audit Committee considers the report from the internal audit function and Management's responses, before reporting and making recommendations to the Board in strengthening the risk management framework and internal control systems.

## **b) CSR**

The Board acknowledges that the Company should play an important role in contributing towards the welfare of the community in which it operates. In the performance of duties of CSR, the Board shall at all times observe the following:

- To ensure the effective use of natural resources and improve quality of life;
- Be more proactive to the needs of the community and to assist in society-related programmes, supports charitable causes and initiatives on community development projects;
- To ensure that the activities and the operations of the Company and the Group do not harm the interest and well-being of society at large; and
- To ensure adequate safety measures and proper protection to workers and employees at the workplace.

## **14. Review of Board Charter**

- i. The Board Charter sets out the principles and guidelines that are to be applied in practice by the Board and its Board Committees and lay down in narrative form the role, responsibilities and functions of the proponents of good corporate governance in the Company.
- ii. The Board Charter should be made public in the Company's website and disclosed in the Annual Report of the Company.
- iii. The Board Charter will be reviewed on a periodic basis and may be amended by the Board from time to time to ensure that new laws, regulations, Bursa Securities LR or relevant developments having an impact on the discharge of the Board's responsibilities are taken into account.

*Reviewed and adopted on 21 September, 2018*