



BOARD CHARTER

1. Purpose of the Charter

- 1.1 The Board Charter sets out the role, composition and responsibilities of the Board of Directors of Focus Lumber Berhad (“FLBHD” or “the Company”) within the governance structure of FLBHD and its wholly-owned subsidiary (“the Group”).
- 1.2 The conduct of the Board is also governed by the Company’s Constitution.

2. Membership, Terms and Commitment

- 2.1 Pursuant to the Constitution, the number of Directors of the Company shall not be less than two (2) Directors and not more than nine (9) Directors. *[Article 72 of the Constitution]*
- 2.2 In accordance with the Main Market Listing Requirements (“MMLR”) or Bursa Malaysia Securities Berhad (“Bursa Securities”), the Company must ensure that at least two Directors or 1/3 of the Board, whichever is higher, are Independent Directors. *[Practice 4.1 of MCCG 2017 and Para 15.02 of MMLR]*
- 2.3 Should a vacancy in the Board occur resulting in the non-compliance with the MMLR of the Exchange, the Board shall fill the vacancy as soon as it is practicable and, in any event, within three months from the date of the vacancy. *[Para 15.02(3) of MMLR]*
- 2.4 Pursuant to the Constitution of the Company, one third of the directors for the time being, shall retire from office by rotation and be eligible for re-election. The directors to retire in every year shall be those who have been longest on office since their last election, but as between persons who become directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. The names of directors submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information to enable shareholders to take an informed decision on their election. The Chairman should confirm to shareholders when proposing re-election that, following formal performance evaluation, the individual’s performance continues to be effective and to demonstrate commitment to the role. *[Articles 67 and 69 of the Constitution]*
- 2.5 The position of Chairman and Managing Director are to be held by different individuals. *[Practice 1.3 of MCCG 2017]*
- 2.6 All Directors, whether independent or not, should have a proper understanding of, and competence to deal with, the current and emerging issues of the business and bring an independent judgment to bear on Board decisions.
- 2.7 The Board should encourage enhanced performance of the Company and effectively review and challenge the performance of management.
- 2.8 The threshold for materiality of relationships between a Non-Executive Director and the Company (other than as a Director) will be judged according to the significance of the relationship to the director in the context of their activities as a whole.
- 2.9 Membership of the Board shall be disclosed in the Company’s Annual Report, including whether the Director is independent or not independent.
- 2.10 The Board should meet sufficiently regularly to discharge its duties effectively. The Board generally has at least five regular scheduled meetings in each financial year.
- 2.11 All new members of the Board are to be provided with a formal letter of appointment setting out the key terms and conditions of their appointment.
- 2.12 All Board members must inform the Board before accepting any other directorship(s).



This notification shall include an indication of time that the Director will spend on the new directorship(s). The Chairman of the Board will evaluate and approve whether the Director can accept the new appointment.

- 2.13 The Board appoints its member through a formal selection process. This process has been reviewed, approved and adopted by the Board as a whole. The Nomination Committee will evaluate and consider any new appointments of Directors before recommending to the Board for approval. The Company Secretary will ensure that all appointments are properly made and that legal and regulatory obligations are met.
- 2.14 The Board recognises the value of appointing individual Directors who brings diverse opinions, skills, experience and backgrounds to its discussions and decision-making processes. As such, it is the Board's policy during the selection of new Directors to take into account the diversity of the candidate's gender, age and racial background as well as their skills and experience as described in the preceding section. In identifying candidates for appointment of Directors, the Board does not solely rely on recommendations from existing Board members, Management or major shareholders. The Board utilises independent sources to identify suitably qualified candidates.
[Practice 4.6 of MCCG 2017]
- 2.15 The Independent Non-Executive Directors have the necessary caliber to provide independent judgment on the issues of strategy, performance, allocation of resources and standards of conducts.
- 2.16 The Board undertakes a formal and objective annual evaluation to determine the effectiveness of the Board, its Committees and each individual Directors. The Board also disclose how the assessment was carried out and its outcome.
- 2.17 The Board will entail the periodic engagement of independent experts to facilitate objective and candid Board evaluations, as and when necessary.
- 2.18 The annual assessment on individual Directors includes an evaluation of their:-
- (1) Will and ability to critically challenge and ask the right questions;
 - (2) Character and integrity in dealing with potential conflict of interest situations;
 - (3) Commitment to serve the Company, due diligence and integrity; and
 - (4) Confidence to stand up for a point of view.

(Practice 5.1 of MCCG 2017)

3. Matters reserved for the Board

- 3.1 Responsibility for implementing the strategic direction and management of the Company's day to day operations, making executive and investment decisions is delegated to the Managing Director, who is accountable to the Board.
- 3.2 The Board has the overall responsibility for the strategic direction; formulation of objectives and strategies; establishment of policies and procedures; and execution and monitoring of the business activities of the Group; risk management; succession planning; development and implementing investors relations and reviewing internal controls on behalf of the shareholders by whom they are elected and to whom they are accountable. In carrying out its responsibilities, the Board undertakes to serve the interests of shareholders, employees, and the broader community honestly, fairly, diligently and in accordance with applicable laws.
- 3.3 The following are matters which are specifically reserved for the Board and they constitute the key responsibilities of the Board, namely to:
- (a) Develop, review and monitor the Company's long term business strategies and provide strategic direction to management;



- (b) Approve and monitor budgets, major capital commitments, capital management, acquisitions and divestitures;
- (c) Review, challenge and decide on management's proposals for the Company, and monitor its implementation by management;
- (d) Identify and review risks that may be faced by the Company and ensure that it has systems in place for risk management and internal control;
- (e) Review and approve the Company's financial statements and other reporting and ensure the integrity of the Company's financial and non-financial reporting; *[Practice 1.1 of MCCG 2017]*
- (f) Appoint, remove and review the performance of the Managing Director, board and senior management and ensure that succession planning is planned; *[Practice 1.1 of MCCG 2017]*
- (g) Ratify the appointment or removal of the Chief Financial Officer and the Company Secretary;
- (h) Appoint and remove directors;
- (i) Establish and maintain corporate governance standards within the Company;
- (j) Monitor compliance with legal, regulatory requirements (including continuous disclosure) and ethical standards;
- (k) Lead by example to establish a culture within the Company which strives and rewards best practice in all areas of the business, particularly with regard to environmental issues;
- (l) Monitor whether the Board is appropriately skilled to meet the changing needs of the Company;
- (m) Ensure that there is an appropriate balance of power and authority on the Board, such that no individual or block of individuals can dominate the Board's decision making;
- (n) The entire Board (subject to shareholders' voting rights in general meeting) is responsible for selection of directors and seeks to ensure that a candidate's experience and competence can assist the Company in meeting its corporate objectives and plans;
- (o) Arrange appropriate insurance cover in respect of legal action against its Directors;
- (p) Oversee the Company's operations, including its control and accountability systems;
- (q) Provide input into and final approval of management's development of corporate strategy and performance objectives;
- (r) Review, ratify and monitor the Company's Corporate Code of Conduct; and
- (s) Ensure that appropriate resources are available to senior executives;
- (t) Should encourage the Company to leverage on information technology for effective dissemination of information;
- (u) Should take reasonable steps to encourage shareholder participation at general meetings;

The Board may delegate any of its responsibilities to committees of the Board.



4. Chairman

4.1 The Chairman is responsible for:

- (a) Providing leadership for the Board so that the Board can perform its responsibilities effectively;
- (b) The efficient organization and conduct of the Board's functioning, including establishing the agenda for Board meetings in consultation with the Managing Director, leading Board meetings and discussion and ensuring that the Board behaves in accordance with the Code of Conduct for Directors and Executives;
- (c) Ensuring that the Directors receive accurate, timely and clear information in a form and of a quality appropriate to enable it to discharge their duties. All directors are entitled to request additional information where they consider such information necessary to make informed decisions;
- (d) Encouraging active participation and allowing dissenting views to be freely expressed;
- (e) Managing the interface between Board and management;
- (f) Ensuring that the views of shareholders are communicated to the Board as a whole, and that governance and strategy issues are discussed with major shareholders;
- (g) Ensuring that the directors continually update their skills, knowledge and familiarity with the Company required to fulfill their role both on the Board Committees;
- (h) Ensuring that new directors receive a full, formal and tailored induction on joining the Board. The letter of an appointment should set out the director's expected time commitment;
- (i) Leading the Board in establishing and monitoring good corporate governance practices in the Company; *[Practice 1.2 of MCCG 2017]*
- (j) Facilitating the effective contribution of all directors at Board meetings; and
- (k) The promotion of constructive and respectful relations between directors, and between the Board and management.

4.2 The Chairman shall disclose to the Board any significant commitments outside the Group and this information and its impact will be included in each Annual Report.

5. Managing Director

The Managing Director is responsible for:

- (a) Day-to-day management of the business and affairs of the Group;
- (b) The development (in conjunction with the Board) and implementation of short, medium and long-term corporate strategies for the Group, preparing business plans and reports with senior management and reporting/presenting to the Board on current and future initiatives;
- (c) Managing a team of executives responsible for all functions contributing to the success of the Group;
- (d) Ensuring that the Group has appropriate risk management practices and policies in place;



- (e) The efficient and effective operation of the Group;
- (f) The assessment of business opportunities which are of potential benefit to the Group;
- (g) Bringing material and other relevant matters to the attention of the Board in an accurate and timely manner; and
- (h) Overseeing shareholder communications.

6. Separation of functions between the Chairman and the Managing Director

- 6.1 The roles of the Chairman (section 4) and Managing Director (section 5) are strictly separated and clearly defined to ensure a balance of power and authority at the Board's level and to promote accountability as well as to allow for a clear division of responsibilities between the Board and executive management.
- 6.2 The balance of responsibilities between the Chairman and the Managing Director will be regularly reviewed to ensure the division of functions remains appropriate to the needs of the Company.

7. Independent Directors

- 8.1 A Director will be considered independent if he or she 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 interests of the Company. Without limiting the generality of the foregoing, an independent Director is one who –

- (1) is not an executive Director of the Company or any related corporation of the Company;
- (2) has not been within the last two years and is not an officer (except as a non-executive Director) of the Company. For this purpose, "officer" has the meaning given in Section 2 of the Companies Act 2016;
- (3) is not a major shareholder of the Company;
- (4) is not a family member of any executive Director, officer or major shareholder of the Company;
- (5) is not acting as a nominee or representative of any executive Director or major shareholder of the Company;
- (6) has not been engaged as an adviser by the Company under such circumstances as prescribed by the Exchange or is not presently a partner, Director (except as an independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company under such circumstances as prescribed by the Exchange; or
- (7) has not engaged in any transaction with the Company under such circumstances as prescribed by the Exchange or is not presently a partner, Director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the applicant or listed issuer) which has engaged in any transaction with the Company under such circumstances as prescribed by the Exchange.

[Defined in Chapter 1 of MMLR]

- 8.2 The tenure of the Company's Independent Directors shall not exceed a cumulative term limit of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an independent Director beyond nine years, it should justify and seek annual shareholders' approval. If the Board continues to retain the independent Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process. *[Practice 4.2 of MCGG 2017]*
- 8.3 The Company considers the role of its independent Directors to be critical to the



objectivity of decisions made by the Board and in striking an appropriate balance of the interests of all stakeholders for the Company's long term benefit. The Board has identified a Senior Independent Director to whom concerns raised by shareholders and other interested parties regarding the Company may be conveyed and addressed as well as act as an intermediary for other Directors when necessary. *[Practice 2.1 of MCCG 2017]*

8.4 All Independent Directors are encouraged to:-

- (a) Regularly update and refresh their skills, knowledge and familiarity with the Company;
- (b) Seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice;
- (c) Where they have concerns about the running of the Company or a proposed action, ensure that these are addressed by the Board, to the extent that they are not resolved, ensure that they are recorded in the Board minutes.
- (d) Upon resignation, provide a written statement to the Chairman, for circulation to the Board, if they have any such concerns.

8. Senior Independent Director

8.1 The Senior Independent Director generally has the same legal responsibilities to the Company as any other Director. *[Practice 2.1 of MCCG 2017]*

8.2 However, as the Senior Independent Director, the roles are expanded to include the following:

- (a) In the absence of the Chairman, carry out the responsibilities to the Board as stated in the Job Description for the Chairman;
- (b) Be available for discussion with any member of the Board;
- (c) Be available to shareholders of the Company in case they have concerns which cannot, or
- (d) should not, be addressed by the Chairman or Executive Directors;
- (e) Resolve any dispute between the Chairman and the Managing Director;
- (f) Lead the role in the planning of succession for the Chairman; and
- (g) Promote high ethical and corporate governance standard.

9. Board Committees

9.1 The Directors may resolve to delegate any of their powers to a Committee or Committees consisting of such number of Directors as they think fit. In view of that, the Board has established the following Committees to undertake specific functions:-

- (a) Audit Committee;
- (b) Remuneration Committee;
- (c) Nomination Committee; and
- (d) Risk Management Committee

9.2 The responsibilities of the respective Committees are laid out in their respective Terms of Reference, which are published on the Company's website at www.focuslumber.com.my

9.3 Each Committee has an obligation to report on its meetings to the Board and minutes of



all Committee Meetings are to be made available to all Directors.

10. Remuneration of Directors

- 10.1 The Remuneration Committee (“RC”) determines the remuneration for the Directors of the Company. No Board members, whether Executive or Non-Executive, will be involved in deciding own remuneration.
- 10.2 The RC assesses the appropriateness of Directors and Management Team remuneration on an annual basis by reference to the principles of this Policy, overall employment market conditions, scope of work and the Company’s financial position.
- 10.3 The RC recommends remuneration for the Directors and Management Team to the Board for approval..
- 10.4 The details of the remuneration of respective Directors which include fees, salary, bonus, benefits-in-kind and other emoluments, would be disclosed in the Annual Report on named basis.

11. Directors’ Trainings

- 11.1 In compliance with MMLR of Bursa Securities, all Directors are required to attend the Mandatory Accreditation Programme. The Directors will undergo such similar or continuing training and education programs from time to time to equip and keep themselves updated and abreast on the latest and new developments in order to discharge their roles and responsibilities more effectively .
- 11.2 The Board will assess the training needs of the Directors and the Directors may be required to attend such courses or trainings as may be decided by the Board be they pertaining to development in laws and regulations, governance, risks, group’s industries and businesses and operations which may affect the Board or the Group.
- 11.3 All new Directors appointed to the Board will be given briefing on the overall business operations of the Group.

12. Access to Information and Independent Advice

- 12.1 All Directors (executive and non-executive) have the same and unrestricted right of access to information relevant to the furtherance of their duties and responsibilities as directors of the Company.
- 12.2 Directors have the right to seek independent external professional advice in the furtherance of their service as directors, at the Company’s expense should the need arises. Written approval must be obtained from the Managing Director prior to incurring expense on behalf of the Company. *[Paragraph 15.04 of MMLR]*

13. Code of Conduct

- 13.1 A Director must act honestly, in good faith and in the best interest of the Company as a whole.
- 13.2 A Director has to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- 13.3 A Director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- 13.4 A Director must recognise that the primary responsibility is to the Company’s shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company.



- 13.5 A Director must not make improper use of information acquired as a director.
- 13.6 A Director must not take improper advantage of the position of director.
- 13.7 A Director must not allow personal interests, or the interest of any associated person, to conflict with the interest of the Company.
- 13.8 A Director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board of Directors.
- 13.9 Confidential information received by a director in the course of the exercise of their duties as a director of the Company remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorized by the Company, or the person from whom the information is provided, or is required by law.
- 13.10 A Director should not engage in conduct likely to bring discredit upon the Company.
- 13.11 A Director has an obligation, at all time, to comply with the spirit, as well as the letter, of the law and with the principles of the Code of Conduct and Ethics.

14. Secretary

- 14.1 The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices and advise the Board on compliance with provisions of MMLR of the Exchange, the Companies Act 2016 and other relevant laws and regulations. *[Practice 1.4 of MCCG 2017]*
- 14.2 The roles and responsibilities of a Company Secretary include, but are not limited to the following:- *[Practice 1.4 of MCCG 2017]*
 - (a) Manage all board and committee meeting logistics, attend and record minutes of all board and committee meetings and facilitate board communications;
 - (b) Advise the Board on its roles and responsibilities;
 - (c) Facilitate the orientation of new directors and assist in director training and development;
 - (d) Advise the board on corporate disclosures and compliance with company and securities regulations and listing requirements;
 - (e) Manage process pertaining to the annual shareholder meeting;
 - (f) Monitor corporate governance developments and assist the board in applying governance practices to meet the Board's needs and stakeholders' expectations and;
 - (g) Serve as a focal point for stakeholders' communications and engagement on corporate governance issues.
- 14.3 All Directors have access to the advice and services of the Company Secretary.

15. Proceedings of Meetings

- 15.1 The Directors may hold meetings for the dispatch of business and adjourn and otherwise regulate their meetings as they think fit. Directors' meetings are held on scheduled dates at least four times for each financial year.
- 15.2 The Constitution of the Company stipulates the procedures for convening board meetings and the board size and the quorum for board meetings.
- 15.3 Minutes of proceedings and resolutions of meetings of the Directors and any written resolutions passed by Directors, are to be recorded and entered in the Company's Minutes Book Register as soon as practicable after the meeting is held or the resolution



is passed.

- 15.4 The Board members should ensure that minutes of Board meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstain from voting or deliberating on a particular manner. *[Practice 1.5 of MCCG 2017]*
- 15.5 Minutes of all Board meetings are circulated to directors and approved by the Board at the subsequent meeting.
- 15.6 Directors shall entitle to the notice of meetings and full set of board papers at least five business days prior to each Board meeting to enable them, to have sufficient time to deliberate on the issues to be raised at the meetings and also to obtain further explanations, where necessary. *[Practice 1.5 of MCCG 2017]*

16. Investor Relations and Communications with Stakeholders

- 16.1 The Board recognizes the importance of an effective communications channel between the Board, stakeholders, institutional investors and the investing public at large, both in Malaysia and internationally, with the objective of providing a clear and complete picture of the Group's performance and position as much as possible.
- 16.2 The communication channels include the Group's annual reports, circulars to shareholders, quarterly financial results and the various prescribed announcements made to Bursa Securities from time to time in the Bursa Securities' website at www.bursamalaysia.com or via the Company's website
- 16.3 The Annual General Meeting and Extraordinary General Meeting is the principal forum for dialogue with the shareholders. The Company makes every effort to encourage maximum participation of shareholders at the Annual General Meeting and Extraordinary General Meetings. Notice of the Annual General Meeting and Annual Report are despatched to the shareholders at least 28 days prior to the meeting. *[Practice 12.1 of MCCG 2017]*

17. Amendment and Review of Board Charter

- 17.1 The Board will review the Board Charter annually to ensure it remains consistent with the Board's objectives and responsibilities and continued compliance with legal requirements and corporate governance requirements applicable to companies listed on the Exchange and the Company's Constitution.
- 17.2 Any amendment to the Board Charter can only be approved by the Board.
- 17.3 Key features of the Board Charter are to be outlined in the Annual Report.
- 17.4 A copy of the Board Charter is to be made available on the Company's website www.focuslumber.com.my.

Reviewed and adopted on 29 March 2018