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KIA LIM BERHAD

Company No.: 199501013667 (342868-P)

OPERATING PROCEDURES ON DIRECTORS' DUTIES AND RESPONSIBILITIES

INTRODUCTION

The Securities Commission Malaysia ("SC") with pursuant to section 158 and subsection 15(1)(q) of the Securities Commission Malaysia Act 1993, on 30 July 2020 introduced the Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries ("Guidelines"). The Guidelines set out guidance to strengthen board governance by establishing the director's duties and their responsibility in oversight the group performance and the implementation of corporate governance policies for listed corporations and their subsidiaries. The introduction of these Guidelines is one of the measures approved by the Special Cabinet Committee on Anti-Corruption (JKKMAR) in 2019.

The objective of this Operating Procedures is to provide the Board of Directors of Kia Lim Berhad and its subsidiaries ("Directors"):-

- With a clear understanding of their roles and responsibilities; and
- A standard set of policies and procedures with which to achieve individual office bearer's goals

CONDUCT REQUIREMENTS FOR DIRECTORS

1. CONDUCT OF DIRECTORS

a) Duty to act within powers (Section 213(1) CA 2016)

Directors are not permitted to abuse their powers. They must act in accordance with the company's constitution, which includes its articles of associations, resolutions, decisions and investment agreements. In addition, directors are only permitted to exercise their powers for the proper purpose and in good faith in the best interest of the company. Directors must not exercise their powers to protect their own positions. If power is exercised for a wrongful purpose, the use to which that power is put is voidable.

b) Duty to promote the success of the company

Directors must act in good faith, in a way they consider would be most likely to promote the success of the company for the benefit of its members as a whole. When discharging their duties to promote the success of the company, directors must have regard to a list of factors, including:-

- i) the likely consequences of any decision in the long term;
- ii) the interests of the company's employees;
- iii) the need to foster the company's business relationships with suppliers, customers and others;
- iv) the impact of the company's operations on the community and the environment;
- v) the desirability of the company maintaining a reputation for high standards of business conduct; and
- vi) the need to act fairly as between members of the company.

c) Duty to exercise independent judgment (Section 217(1) CA 2016)

Directors must exercise independent judgment in the interests of their own company, regardless of whether they align with the interests of other group companies. Directors must not subordinate their powers to the will of others unless they are authorised to do so under the constitution.

When exercising their duties, Directors may rely on information provided by:-

- i) an officer whom the director believes to be reliable and competent;
- ii) a professional or expert engaged by the company;
- iii) another director; or
- iv) a committee to the board of directors, on which the director is not a member.

However, despite relying on the information provided by others, they must still act in good faith and make independent assessment of the information provided.

d) Duty to exercise reasonable care, skill and diligence (Section 213(2) CA 2016)

Directors must exercise reasonable care, skill and diligence with the knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities. A director should always ensure that the decisions he makes are of the highest standards and in the best interests of the company.

Directors must satisfy themselves that they have a proper understanding of the functions and duties of directors, the fundamental principles of company law, the company's business, the risks faced by the company and the regulatory and compliance regime in which it operates. Directors should also, as a practical matter, ensure that they receive a proper induction and ongoing training to keep their knowledge, skills and experience up to date.

e) Other duties

Directors are required to among others:-

- i) maintain a sound understanding of the business, and keep abreast of relevant developments to ensure he is able to discharge his duties and responsibilities effectively;
- ii) prepare for board meetings, contribute constructively to board discussions and decision-making, and conduct due inquiry before approving a matter;
- iii) ensure key transactions or critical decisions are deliberated and decided on by the board in a meeting; and
- iv) ensure their decisions and the basis for those decisions, including any dissenting views are made known and properly minuted.

2. MANAGING CONFLICT OF INTEREST

a) Duty to avoid any conflict of interest

Directors must not:-

- i) use the property of the company;

- ii) use any information acquired by virtue of their position as a director of the company;
- iii) use their position as such director or officer;
- iv) use any opportunity of the company which they became aware of, in the performance of their functions as the directors or officers of the company; or
- v) engage in business which is in competition with the company,

to gain directly or indirectly, a benefit or profit for themselves or any other persons, or cause detriment to the company without the consent of the board or ratification passed in a general meeting.

A director who has an interest in a transaction with the company which may be in conflict with his fiduciary duty as a director is required to declare the fact and the extent of the conflict at a board meeting at his earliest opportunity and he should abstain from the voting process.

b) Duty not to accept benefits from third parties

Directors must not exploit their positions for personal benefit (financial or non-financial). The duty provides Directors must not accept a benefit from a third party conferred by reason of them being a director or their doing (or not doing) anything as a director. The duty will not be infringed if the acceptance of the benefit cannot reasonably be regarded as likely to give rise to a conflict of interest. The duty is very strict and Directors need to take account of these obligations when accepting corporate hospitality or gifts. Although in a bribery investigation the focus will be on whether benefits provided to directors or the companies were criminal, it is important not to lose sight of this duty where the conduct concerns individual director. A company may recover the value of any benefits unlawfully received by a director through civil proceedings, and not just criminal action.

MAINTAINING PROPER RECORDS AND ACCOUNTS (Section 245 CA2016)

1. Directors are responsible to ensure:-
 - a) that all transactions are properly authorised or recorded to enable preparation of the company's financial statements;
 - b) that the accounts of the company are sufficiently kept and that the transactions and financial position of the company can be adequately explained and disclosed for auditing;
 - c) that the financial statements are circulated to the shareholders of the company;
 - d) for it listed corporation, that its annual general meeting is held; and
 - e) the making of such other disclosures as prescribed in the CA 2016, such as when there is a change in the company's directors, company secretary or shareholding.
2. Where the financial statements of a subsidiary are required to be consolidated into the financial statements of Kia Lim Berhad (KLB), the subsidiary and its Directors must provide KLB with all information and record necessary to enable the preparation of the consolidated financial statements in accordance with the approved accounting standards.

3. Directors must ensure that all accounting and other records are retained for not less than seven (7) years from the completion of the transactions or operations to which the entries or records relate and to be kept in Malaysia.

GROUP GOVERNANCE

1. Directors of Kia Lim Group fully support the Malaysian Code on Corporate Governance (“MCCG”), and is committed to ensure that the Principle and Recommended Practices are observed and practised throughout the Group.
2. Kia Lim Group has an adequate group wide framework approved by the Board of Directors. It is designed for co-operation and communication between the KLB and its subsidiaries to enable it to discharge its responsibilities including oversight of:-
 - a) group financial and non-financial performance;
 - b) business strategy and priorities;
 - c) risk management:-
 - i) material sustainability risks; and
 - ii) corporate governance policies and practices.
3. The Directors of Kia Lim Group had established and ensure the group wide framework on corporate governance include:-
 - a) Anti Bribery & Anti Corruption Policy;
 - b) Board Charter
 - c) Board’s Procedures for Appointment of New Director;
 - d) Corporate Disclosure Policy;
 - e) Directors’ & Employees’ Code of Conduct and Ethics;
 - f) Diversity Policy;
 - g) External Auditor Policy & Procedure;
 - h) Procedure for Directors Taking Independent Professional Advice;
 - i) Remuneration Policy for Directors and Senior Management;
 - j) Shareholders Communication Policy;
 - k) Succession Planning Policy;
 - l) Sustainability Reporting Policy and Procedures; and
 - m) Whistleblower Policy.
4. Subsidiaries of KLB and their directors must provide KLB with any information requested by the KLB to enable the board of KLB to oversee the performance of its subsidiaries effectively, including assessing non-financial performance of the group.
5. The Directors of KLB will, from time to time review and reassess the adequacy of the group wide framework on Corporate Governance and consider any proposed changes to ensure that KLB has an effectiveness current version of Corporate Governance.

This OP must be read in conjunction with the Directors’ & Employees’ Code of Conduct and Ethics and with the Company’s Anti Bribery & Anti Corruption Policy. The Conflict of Interest declaration form must be used to disclose any actual, potential and perceived conflicts of interest. The form can be found in Appendix 1 of this OP.

Conflict of Interest Declaration Form

Name:		Staff ID.:	
Phone No.:		Email Address:	
Immediate Superior:		Designation/ Department:	
<p><u>Details of Conflict of Interest</u></p> <p>Description of conflict:</p> <p>When did the conflict arise?</p> <p>Impact / potential impact of conflict:</p> <p>Actions taken to address conflict:</p>			
<p><u>Disclosure of conflict</u></p> <p>Disclosed to HOD: Yes / No</p> <p>Date of disclosure to HOD:</p>			
<p>Declaration:</p> <p>I hereby declare that the information provided herein is complete and accurate.</p> <p>.....</p> <p>Name:</p> <p>Date:</p> <p>Acknowledged by HOD:</p>			
<p>Remarks by IDD:</p>			