

BOARD CHARTER

Version 4

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| <p>PURPOSE OF BOARD CHARTER</p> | <p>This Board Charter sets out the roles, responsibilities and processes of the Board of Directors (“Board”) of Lotte Chemical Titan Holding Berhad (“LCT” or “Company”) in accordance with the Malaysian Code on Corporate Governance (“MCCG”) so as to provide the framework in the performance of the Board’s responsibilities vis-a-vis the Company and its subsidiaries (collectively, the “Group”) and the management team (“Management”).</p> <p>The Board’s roles and responsibilities are also governed by the Company’s Constitution, the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”).</p> <p>This Board Charter demonstrates that the Board remains fully resolved and committed to employing the principles of integrity, transparency and professionalism to ensure the practice of good corporate governance will safeguard and enhance shareholders’ value, and at the same time protect the interest of its stakeholders.</p> |
| <p>KEY VALUES, PRINCIPLES AND ETHOS OF THE COMPANY</p> | <p>Putting customer value before everything else and making environmental stewardship and safety is LCT’s very first priority to fulfill its responsibilities as a top class company that works for humanity’s well-being and future value by pursuing mutual prosperity of the nation and society.</p> |
| <p>BOARD ROLES AND RESPONSIBILITIES</p> | <p>The Board shall actively strive and be collectively responsible to promote the success of the Group by directing and supervising its business and delivering sustainable value to shareholders.</p> <p>In addition to fulfilling its commitment for increased shareholders’ value, the Board endeavours to uphold the interests of the Group’s customers, employees, suppliers and to the communities where it operates, bearing in mind the circumstances and requirements for a successful business. The Board reviews and decides matters related to the overall Group strategy and financial matters.</p> <p>a. Board Composition</p> <p>The Board comprises qualified individuals with diverse skills, experiences and background. The composition enables the organisation to be better equipped to deliver value towards achieving its strategic goals.</p> <p>The Company’s Constitution provides that the number of Directors shall not be less than two (2).</p> <p>The positions of Chairman and President & Chief Executive Officer (“CEO”) shall be held by different individuals.</p> <p>The Board shall comprise a majority of independent directors and at least 30% women directors in line with the MCCG.</p> <p>The Board shall put in place action plans to meet the board composition requirements under the MCCG if at any time it does not comply with the MCCG.</p> |

b. Role of Board

The Board is responsible for providing oversight and stewardship to the Company to promote the success of the Group through the following:-

- Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behavior;
- Review, challenge and decide on the Management's proposals for the Company, and monitor its implementation by the Management;
- Establish a strategic plan, including overall corporate strategy, marketing plan, human resources plan for the Company in line with the Company's vision, mission and business objectives;
- Ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- Oversee and review the conduct and performance of the Company and of the President & CEO against set goals and objectives to evaluate whether the business is properly managed;
- Identify the principal risks and ensure the implementation of appropriate systems to manage these risks;
- Understand the principal risks of the Company's business and recognise that business decisions involve the taking of appropriate risks;
- Set the risk appetite within which the Board expects the Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- Ensure a sound succession plan and continuous development of human capital;
- Developing and implementing an investor relations programme or shareholders' communications policy;
- Review and monitor the adequacy and the integrity of internal control systems, risk management and management information systems including systems for the operation of the designated account into which the proceeds of the Company's initial public offering earmarked for the integrated petrochemical facility in Merak, Cilegon, Banten Province, Indonesia are deposited pending full use and compliance with applicable laws, regulations, rules, directives and guidelines;
- Review the Company's strategic, capital or funding transactions and monitoring execution of these transactions; and
- Ensure the integrity of the Company's financial and non-financial reporting.

The Board has established Board Committees that operate under clearly defined Terms of Reference. This is to facilitate the Board's effectiveness and to efficiently discharge its duties and responsibilities. The Board is ultimately accountable and responsible for the affairs and business of the Company.

The Board understands its responsibility to exercise good governance and therefore shall be guided by the principles and best practices as stated in the MCCG.

c. Role of Directors

The Independent Non-Executive Directors are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgment. They ensure that the interests of all shareholders are taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

The Non-Independent Non-Executive Directors oversee the conduct of the Company's business and evaluate whether the business is properly managed. They keep abreast of issues relating to the Company between meetings and provide a balanced and professional view to the Board.

d. Role of Chairman

The primary role of the Chairman is to lead the Board in its collective oversight and management. There is a clear division of responsibilities between the Chairman and the President & CEO. The Chairman of the Board is a Non-Executive Director.

The Chairman's responsibilities include the following:-

- Providing leadership for the Board so that the Board can perform its responsibilities effectively;
- Setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- Leading Board meetings and discussions;
- Encouraging active participation and allowing dissenting views to be freely expressed;
- Managing the interface between Board and Management;
- Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and leading the Board in establishing and monitoring good corporate governance practices in the Group.

e. Role of President & CEO

The President & CEO is responsible for implementing the Company's policies, strategies and decisions as guided by the Board and overseeing the day-to-day management and operations of the Company's business. In doing so, the President & CEO is responsible for ensuring that a sound management structure is in place.

The President & CEO is assisted by the Management in managing the day-to-day business of the Company, which he consults regularly.

f. Role of Board Committees

The Board may from time to time establish Board Committees to assist in discharging its responsibilities effectively.

To that end, the Board has appointed the following Board Committees from amongst the Board members to ensure good governance in the decision-making process. The Chairman of the Board Committees will report to the Board on the decision or outcome of the Committee meetings:-

- Audit Committee;
- Nomination and Remuneration Committee; and
- Risk Management Committee.

These Board Committees operate under specific Terms of Reference which may be amended by the Board from time to time. Independent and Non-Executive Directors play a leading role in these Board Committees. Where necessary, the Board may form additional Board Committees. All Board Committees shall be established in accordance with the MMLR.

While the Board may appropriately delegate its authority to Board Committees, it shall not abdicate its responsibility and shall at all times exercise collective oversight of the Board Committees. The Board shall not delegate matters to a committee or the Management to an extent that would significantly hinder or reduce the Board's ability to discharge its functions.

- Audit Committee

The Audit Committee shall comprise at least three (3) members, all of whom shall be Independent Directors. The Chairman of the Board shall not be the Chairman of the Audit Committee. The roles and responsibilities of the Audit Committee are provided in its Terms of Reference.

- **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee shall comprise at least three (3) members who shall be wholly Non-Executive Directors, a majority of whom shall be Independent Directors. The roles and responsibilities of the Nomination and Remuneration Committee are provided in its Terms of Reference. In identifying candidates for appointment of Directors, the Board will not solely rely on recommendations from the Nomination and Remuneration Committee, members of the Board, the Management or major shareholders but will also utilise independent sources to identify suitably qualified candidates.

- **Risk Management Committee**

The Risk Management Committee shall comprise at least four (4) members, comprising a majority of Independent Directors. The roles and responsibilities of the Risk Management Committee are provided in its Terms of Reference

g. Role of Company Secretary

The Company Secretary shall be a person who is qualified pursuant to Companies Act 2016 and competent in carrying his/her duties. The appointment and removal of the Company Secretary shall be decided by the Board.

The roles and responsibilities of a Company Secretary include, but are not limited to the following:-

- Manage all Board and committee meetings logistics, attend and record minutes of all Board and committee meetings and facilitate board communications;
- Advise the Board on its roles and responsibilities;
- Facilitate the orientation of new directors and assist in director 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,

The Directors shall have unlimited access to the services of the Company Secretary.

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| TENURE OF OFFICE | The tenure of an Independent Director shall be for a cumulative term of nine (9) years from appointment as an Independent Director. |
| MATTERS RESERVED FOR THE BOARD'S DECISION | <p>The Board shall have a formal schedule of matters specifically reserved for the Board's deliberation and decision and shall include the following:-</p> <p>Board structure</p> <ol style="list-style-type: none"> a. Appointment and changes in Directors. b. Appointment and removal of Company Secretary(ies). c. Establishment of Board Committees, their members and the specific terms of reference. <p>Board remuneration</p> <ol style="list-style-type: none"> a. Recommendation of Directors' fees b. for Non-Executive Directors to be approved by shareholders. c. Approval of remuneration packages, including service contracts for Executive Directors. <p>Company's operations</p> <ol style="list-style-type: none"> a. Review and approval of Company's strategic plan and annual budget (including capital expenditure budget). b. Approval of capital expenditure exceeding prescribed thresholds based on the formalised limits of authority. c. Approval of investment or divestment in a company, business, property or undertaking. d. Approval of investment or divestment of a capital project which represents a significant diversification from the Company's existing business activities. e. Approval of major changes in the activities of the Company. f. Approval of treasury policies and bank mandates of the Company. g. Approval of limits of authority for the Company and the Group. <p>Financial</p> <ol style="list-style-type: none"> a. Approval of financial statements and their release (including financial reports for announcement to Bursa Malaysia Securities Berhad or the Securities Commission Malaysia). b. Approval of Directors' Report, Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report. c. Approval of interim dividends for payment and the recommendation of final dividend or other distribution for shareholders' approval. <p>Ethics</p> <ol style="list-style-type: none"> a. Establishment and implementation of ethical policies, procedures and practices to build a strong corporate governance culture; b. Provide assurance to stakeholders of the Company's compliance with applicable laws and regulatory requirements on anti-corruption; and c. Review of anti-corruption framework which includes clear policies and objectives that adequately addresses corruption risk together with a standalone whistleblowing policy. |

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| | <p>Others</p> <ul style="list-style-type: none"> a. Recommendation for the changes in the Company's Constitution. b. Any other matters requiring the Board's approval under the limits of authority adopted by the Company and Group. |
| <p>BOARD PROCESSES</p> | <ul style="list-style-type: none"> a. Board Meetings <p>The Board meets every quarter and additional meetings are held as and when required. The quorum for a Board meeting shall be three (3) Directors one of whom shall be an Independent Director. Prior to each Board meeting, the agenda and a set of Board papers encompassing qualitative and quantitative information relevant to the business of the meeting are distributed to all Directors on a timely basis.</p> <p>In convening the Board meetings, all procedures shall meet the requirements of a valid Board meeting and shall follow the Company's Constitution. All proceedings in Board meetings are recorded as minutes. Upon conclusion of Board meetings, the minutes are to be circulated to the Board in a timely manner and signed by the Chairman of the meeting.</p> b. Board Committee Meetings <p>The Audit Committee meets every quarter. The Nomination and Remuneration Committee meets at least once a year. The Risk Management Committee shall meet regularly. These Board Committees also hold additional meetings as and when required.</p> c. Financial Reporting <p>The Board aims to present a balanced and meaningful assessment of the Company's financial performance primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the Audit Committee in overseeing the Company's financial reporting process and the quality of the financial reporting to ensure that the financial statements are a reliable source of information for shareholders and other stakeholders.</p> d. Non-Financial Reporting <p>Non-financial reporting by the Board will be done through the Performance Review, Investor's Overview, Corporate Responsibility and Corporate Governance section in the annual report as well as other announcements by the Company on its website or press statements.</p> e. Decision-making <p>Presentations and briefings by the Management and relevant external consultants, where applicable, are also held at Board meetings to advise the Board. Relevant information and clarification are furnished to the Board in order for the Board to arrive at a</p> |

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| | <p>considered decision.</p> <p>The Board makes decisions based on majority votes, each Director having one vote and in case of an equality of votes, the Chairman shall not have a second or casting vote.</p> <p>f. Monitoring</p> <p>The Board monitors the performance of the Company via reports tabled at Board and Board Committee meetings and through regular engagements between the Board, President & CEO and the Management as and when necessary.</p> |
| <p>BOARD RESPONSIBILITIES</p> | <p>1.1 Policy & Strategy</p> <p>The Board has the responsibility for reviewing and approving the Company's strategic plans and policies proposed by the Management. The Board is also responsible for monitoring and overseeing the effective implementation of the policies and plans.</p> <p>1.2 Ethics & Compliance</p> <p>The Board is governed by the requirements of the Companies Act 2016, the MMLR, the MCCG and other applicable laws.</p> <p>The Company is also required to comply with the Group's Code of Business Conduct that seeks to ensure that the Directors, Group employees and third parties which perform works or services for the Company and/or Group will act ethically and remain above board at all times. The Group's Code of Business Conduct also includes appropriate communication and feedback channels which facilitate whistleblowing.</p> <p>1.3 Risk Management</p> <p>The Board recognises its responsibility in identifying the principal risks affecting the Company and ensuring the implementation of appropriate plans and a sound system of risk management and internal control to manage or mitigate these risks. The Board or through its Risk Management Committee, sets, where appropriate, objectives, performance targets and policies for the management of the key risks faced by the Company.</p> <p>The Board also reviews the risk assessment policy and controls and review the adequacy and the integrity of the Group's internal control systems and management information systems and ensure their adequacy, integrity and compliance to applicable laws, regulations, rules, directives and guidelines including those relevant to anti-corruption.</p> |

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| | <p>1.4 Investor Relations</p> <p>The Board has in place an Investor Relations (“IR”) platform to ensure that the Group’s IR message is clearly coordinated and communicated. The IR activities include dialogues with shareholders as well as group meetings for analysts and potential investors. Analyst briefings and conference calls are held after announcements of quarterly financial results.</p> <p>1.5 Health, Safety and Environment</p> <p>The Board is committed to giving attention to strategies relating to the health, safety and environment, and compliance with the relevant laws, rules and regulations. The Board also places emphasis on the formulation of strategies to promote sustainable development in areas covering economics, environment and social development.</p> |
| <p>BOARD DEVELOPMENT</p> | <p>1.1 Succession Planning</p> <p>Succession planning for the Board and the Management will be reviewed by the Directors on a regular basis to ensure that all key management positions within the Company are filled with candidates with sufficient calibre.</p> <p>1.2 Board and Directors’ Assessment</p> <p>An assessment of the Board, Board Committees and individual Directors’ performance and effectiveness is conducted annually.</p> <p>1.3 Directors’ Remuneration framework</p> <p>The remuneration of the Board shall reflect the Board’s responsibility, expertise and complexity of the Company’s operations.</p> <p>The Board is guided by the market and industry practices in determining the amount of compensation to be paid to the Directors.</p> <p>The remuneration for the Executive Directors is structured to attract and retain Directors of the right calibre to manage the Group effectively. Its primary purpose is to ensure that Executive Directors and employees of the Group are fairly rewarded for their responsibilities, expertise and contributions to the overall performance of the Group.</p> <p>The remuneration for the Non-Executive Directors is based on experience, degree of responsibilities and contributions. Non-Executive Directors are paid Directors’ Fees and meeting allowance. Director’s Fees and Benefits are subject to approval of the shareholders.</p> <p>The Board shall approve the remuneration of the Executive Director(s) and recommend the fees and benefits payable to Non-Executive Directors for the approval of shareholders.</p> |

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| | <p>The individual Director does not participate in decisions concerning his/her own remuneration package.</p> <p>1.4 Directors' Training and Development</p> <p>The Company adopts continuous and relevant educational/training programmes and awareness sessions for Directors in relation to developments pertaining to the laws and regulations, commercial risks as well as corporate governance and financial updates which may affect the Board and/or the Company.</p> <p>The Company also adopts a customised training approach to suit the needs of the respective Directors. In the event that a new Director is appointed, comprehensive briefings and information about the Company are provided at the point of the Directors' induction. The Board shall also ensure compliance with Bursa Securities' mandatory accredited program for the newly appointed Director.</p> |
| AMENDMENTS | <p>The Board Charter shall be reviewed annually or on an ad hoc basis by the Board, and amended and/or updated as and when necessary.</p> |