

# **BOARD CHARTER**

## **1. OBJECTIVE**

## **2. RESPONSIBILITIES OF THE BOARD**

- 2.1 Board of Directors
- 2.2 Individual Directors
- 2.3 Independent Directors
- 2.4 Chairman
- 2.5 Managing Director
- 2.6 Board Committees
- 2.7 Delegation of Authority
- 2.8 Ethics & Compliance

## **3. THE BOARD**

- 3.1 Size & Composition
- 3.2 Nomination & Appointment
- 3.3 Rotation & Retirement
- 3.4 Tenure of Independent Director
- 3.5 Vacation of Office
- 3.6 Board Diversity
- 3.7 Annual Assessment
- 3.8 Succession Planning
- 3.9 Directors' Training
- 3.10 Remunerations
- 3.11 Access to Information and Independent Advice

## **4. BOARD MEETINGS**

- 4.1 Notice of Meetings
- 4.2 Frequency of Meetings
- 4.3 Proceedings of Meetings
- 4.4 Board Committees Meetings
- 4.5 Attendance and Time Commitment

## **5. DISCLOSURES BY DIRECTORS**

- 5.1 Conflict of Interest
- 5.2 Related Party Transactions
- 5.3 Dealings in Securities of the Company

## **6. COMPANY SECRETARIES**

## **1. OBJECTIVE**

The Board of Directors of Prolexus Berhad (“the Board”) has adopted this Board Charter to regulate their conducts in accordance with the principles of good corporate governance.

The objective of this Board Charter is to ensure all directors acting on behalf of the Company are aware of their duties and responsibilities as Board members and to uphold the core values of integrity with due regard to their fiduciary duties and responsibilities.

The Board Charter is subject to annual review to ensure their relevance and compliance.

## **2. RESPONSIBILITIES OF THE BOARD**

### **2.1 Board of Directors**

- 1) The Board is responsible for the stewardship of Prolexus Berhad Group of Companies (“the Group”).
- 2) The responsibilities and limitations of the Board are primarily set out in the Company’s Articles of Association, the Companies Act, 2016, the Main Market Listing Requirements of Bursa Securities, the Capital Market & Services Act 2007 and the directors and/or shareholders’ resolutions.
- 3) The Board reviews and adopts the business strategic plan for the Group as proposed by the Management.
- 4) The Board oversees the conducts of affairs and management of the Group.
- 5) The Board oversees the adequacy and effectiveness of the Group’s risk management and systems of internal control.
- 6) The Board oversees the development and implementation of the investor relations programmes and shareholders’ communication policy.
- 7) Matters specifically reserved for the Board’s decisions following by any recommendations as may be made from time to time by the Board Committees are as follows:
  - a) Material acquisitions and disposals of property, plant and equipment of the Group
  - b) New investment, divestment, corporate restructuring and/or establishment of joint ventures
  - c) Related party transactions and conflict of interest issues
  - d) Annual financial statements and quarterly financial results
  - e) Declaration of dividends and forfeiture of unclaimed dividends
  - f) New appointment and vacation of office of directors
  - g) Appointment of, terms of reference and changes in the composition of the Board Committees established from time to time
  - h) Changes to the Memorandum & Articles of Association
  - i) Limits of Authority
  - j) Any other transactions requiring Board’s approval

## **2.2 Individual Directors**

- 1) Each director is expected to comply with statutory duties and equitable obligations when discharging his responsibilities as a director of the Company.
- 2) In exercising his powers as a director, he should have regard to the following:-
  - a) Use of good judgment
  - b) His responsibilities as director
  - c) His responsibilities for actions of delegate
  - d) Prohibition against improper use of the Group's property, position, corporate opportunity or competing with the Group.

## **2.3 Independent Directors**

- 1) The independent directors are important to obtain the desired level of objectivity and independence in the Board deliberations and decision making.
- 2) Key competencies of independent directors are as follows:-
  - a) To provide independent view, unbiased advice and opinions to matters under consideration
  - b) To have an appropriate level of financial literacy
  - c) The ability to clearly communicate and add value to Board deliberations
  - d) The ability to constructively collaborate as part of a team contributing towards the successful performance of the Group.

## **2.4 Chairman**

- 1) The Chairman has executive functions.
- 2) The Chairman is responsible for representing the Board to the shareholders and stakeholders for performance of the Group.
- 3) The Chairman provides leadership and oversees implementation of the Board's decisions into executive actions.
- 4) The Chairman promotes high standards of corporate governance and transparency.
- 5) The Chairman ensures orderly conduct and proceedings of the Board and acts as facilitator at Board meetings to ensure that no director, whether executive or non-executive, dominates discussion and that, appropriate discussion takes place.
- 6) The Chairman ensures orderly conduct and proceedings of general meetings and allows shareholders to participate actively in such meetings.

## **2.5 Managing Director**

- 1) The Managing Director oversees the day-to-day operations of the Group.
- 2) The Managing Director sets and implements policies and strategies for the Group's operations and ensures the business of the Group are carried out in compliance with the relevant laws and regulations.
- 3) The Managing Director is responsible for overall management competencies and succession planning of key management.
- 4) The Managing Director together with the Chairman is accountable to the Board towards the achievement of the Group's objectives and performances.

## **2.6 Board Committees**

- 1) The Board delegates certain responsibilities to Board Committees, each with predefined terms of reference and responsibilities.
- 2) The Board had appointed 6 Board Committees as set out below:
  - a) Audit Committee
  - b) Nominating Committee
  - c) Remuneration Committee
  - d) Risk Management Committee
  - e) Investment Committee
  - f) Employees Share Option Scheme (ESOS) Committee

- 3) The primary responsibilities of each Committee is set out below:-

### **a) Audit Committee**

- To consider the appointment of external auditors, the audit fees and any questions of resignation or dismissals and inquire into the staffing and competence of the external auditors in performing their work;
- To review with external auditors the scope of their audit plan, their evaluation of the system on internal control and the audit report on the financial statements (in absence of the management, if necessary);
- To review the assistance given by the employees of the Company and the Group to the external auditors;
- To discuss the impact and reviews and proposed changes in or implementation of major accountancy changes, principles and practices, significant adjustments resulting from the audits, significant and unusual events, the going concern assumptions, compliance with accounting standards and compliance with the stock exchange and statutory legal requirements;
- To review any financial information for publication, including quarterly and annual financial statements prior to submission to the Board for approval;

- To review the adequacy and relevance of the scope, functions, competency and resources of internal auditors, necessary authority to carry out the internal audit works and extent of co-operation and assistance given by employees to the internal auditors;
- To review the internal audit plan and work programme, consider major findings of internal audit investigations and management responses and ensures co-ordination between internal and external auditors;
- To ascertain the adequacy of the Group's risk assessment and management framework in identifying and considering principal business risks and ensures the implementation of appropriate systems to manage these risks;
- To keep under review the effectiveness of internal control systems and in particular to review and monitor the implementation of recommendation of the external auditors' management letter and management responses;
- To consider and review any related party transactions that may arise within the Company or the Group including any transactions, procedures or course of conducts that raise questions of management integrity;
- To identify and direct any special projects or investigations deemed necessary;
- To report any breaches of listing requirements, which have not been satisfactorily resolved to Bursa Malaysia Securities Berhad; and
- To review and verify the allocation of options to employees under the ESOS.

b) **Nominating Committee**

- To recommend to the Board, directors to fill the seats on Board Committees;
- To annually assess the effectiveness of the Board as a whole, the Board Committees and contribution of each individual director to the effective decision making of the Board, save and except where the assessment of performance is in respect of any member or members of the Nominating Committee;
- To make appropriate recommendations to the Board on matters of renewal or extension of directors appointment and re-election of retiring directors;
- To assess the independency of independent directors; and
- To perform any other duties as required by the Board or prescribed by Bursa Securities from time to time.

c) **Remuneration Committee**

- To recommend to the Board, the remuneration package of executive directors in all its form, drawing from outside advice, if necessary;
- To recommend to the Board, the remuneration of non-executive directors which shall be a decision of the Board as a whole, save and except where the remuneration is in respect of any member or members of the Remuneration Committee. The interested directors shall abstain themselves from deliberations or decisions on matters in which they have direct and/or indirect interests; and
- To recommend to the Board, the remuneration package of senior management.

d) **Risk Management Committee**

- To identify, assess, manage and monitor key business risks;
- To determine the Group's risk appetite and tolerance;
- To promote an effective risk awareness culture where risk management is an integral aspect of the Group's management systems; and
- To identify emerging risks or changes in risks and taking appropriate action promptly.

e) **Investment Committee**

- To review and evaluate proposals on new significant investments or disposals and recommend to the Board for approval;
- To review potential fund raising activities to finance significant investments made by the Group;
- To ensure investment are in line with the Group's corporate strategy; and
- To monitor and evaluate the performance of investment activities on a regular basis.

f) **ESOS Committee**

- To implement the ESOS as approved by shareholders of the Company.
- To administer the ESOS in accordance with the By-Laws and regulate its own proceedings in such manner as it shall think fit.

## **2.7 Delegation of Authority – Limits of Authorities**

- 1) The Board delegates powers and authorities to the Management for effective functioning of the Group.
- 2) The Board formulates and approves the manual on Limits of Authorities (LOA) with requisite control for check and balance. Matters beyond the limits allocated to the Management shall be vested with the Board.
- 3) The Board reviews the LOA periodically to suit changes in the operational, organizational and regulatory circumstances.

## **2.8 Ethics & Compliance**

### **1) Code of Conducts**

The Board had established a Code of Conducts based on highest ethical standards for business and in full compliance of the laws and regulations. A copy of the Code of Conducts is available at the Company's website.

### **2) Whistleblowing Policy**

The Board has established a Whistleblowing Policy to provide an avenue to communicate matters of concern about possible improprieties may be raised in confidence and in good faith, without fear of reprisal. A copy of the Whistleblowing Policy is available at the Company's website.

### **3) Corporate Disclosure Policy**

The Board has established a Corporate Disclosure Policy to ensure timely and accurate disclosures in compliance with the Main Market Listing Requirements of Bursa Securities and to ensure proper handling of confidential and material price sensitive information prior to them being announced to Bursa Securities. A copy of the Corporate Disclosure Policy is available at the Company's website.

## **3. THE BOARD**

### **3.1 Size & Composition**

- 1) The number of directors shall not be less than 2 or more than 11. Until otherwise determined by the Company in general meeting, the number of directors shall be as stated above.
- 2) There are presently 8 Board members comprising 4 independent non-executive directors, 1 non-independent non-executive director and 3 executive directors. The profiles of directors are in the Annual Report of the Company.
- 3) At any one time, at least 1/3 of the Board members must be independent directors.
- 4) The Nominating Committee is responsible for the review and recommendation of the composition and membership of the Board and Board Committees.

### **3.2 Nomination & Appointment**

- 1) The Board appoints new director upon recommendation from the Nominating Committee.
- 2) New director is expected to have the necessary credentials to make positive contributions to the Board, to perform his duties and to give sufficient commitment, time and attention to the affairs of the Company.
- 3) The directorships held by the director at any one time must not exceed 5 directorships in public listed companies.
- 4) The Company Secretary is responsible to ensure relevant procedures relating to the appointment of new director is properly executed.
- 5) The Management will give a copy of the Board Charter and the latest Annual Report to the newly appointed director and to provide an induction programme in relation to the following:-
  - a) knowledge of the Company's structure and organization chart
  - b) knowledge of the Group's business
  - c) the Group's operation sites visit
  - d) expectations on appointment with regards to his role, duties, responsibilities, contributions and obligations as a director of the Company

### **3.3 Rotation & Retirement**

- 1) There is no fixed term of appointment but all directors are subject to retirement by rotation once at least in each 3 years and shall, be eligible for re-election.
- 2) At every annual general meeting of the Company, 1/3 of the directors for the time being or, if their number is not 3 or a multiple of 3, then the number nearest to 1/3, shall retire from office and be eligible for re-election.
- 3) Newly appointed director shall hold office until the next annual general meeting of the Company at which he will retire and shall, then be eligible for re-election.

### **3.4 Tenure of Independent Director**

- 1) The tenure of independent director shall not exceed a cumulative term of 9 years.
- 2) Upon completion of the 9 years, the independent director may continue to serve the Board but subject to the said director be re-designated to non-independent director.
- 3) In the event, the director is to remain designated as independent director, the Nominating Committee must first assess and recommend to the Board its justifications, and the Board shall review and supports the said justifications and to obtain shareholders' approval.



### **3.5 Vacation of Office**

The office of a director shall become vacant, if the director:-

- 1) during his term of office has a Receiving Order in bankruptcy made against him or makes any arrangement or composition with his creditors generally;
- 2) becomes prohibited from being a director by reason of any order made under the Companies Act, 2016 or contravenes Section 198 of the Companies Act, 2016;
- 3) ceased to be a director by virtues of the Companies Act, 2016;
- 4) during his term of office becomes unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;
- 5) resigns his office by notice in writing to the Company and deposited at the registered office of the Company;
- 6) if he shall be absent from more than 50% of the total Board meetings held during the financial year; and
- 7) is removed from his office of director by resolution of the Company in general meeting of which special notice has been given.

### **3.6 Board Diversity**

- 1) The Board does not have a Boardroom Diversity Policy but welcomes gender diversity in its composition and shall take into consideration as part of its selection process should the needs arise.

### **3.7 Annual Assessment**

- 1) The Nominating Committee undertakes a formal annual assessment of the Board, Board Committees and individual directors of the Company.
- 2) All the annual assessments are carried out by way of comprehensive questionnaires.
- 3) The Nominating Committee shall assess and make its recommendation to the Board.

### **3.8 Succession Planning**

- 1) The Managing Director is responsible for succession planning of key positions at senior and middle management across the Group.
- 2) The Managing Director defines key management talent identifications which include internal development and external sourcing as well as leadership development strategies.
- 3) The Board through the Nominating Committee is responsible for selecting its own members and in recommending them for re-election by the shareholders at the annual general meeting.

- 4) Qualifications for membership of the Board are as follows:-
  - a) Tertiary education, skills and knowledge of his profession
  - b) Appropriate knowledge of the corporate laws, rules and regulations that govern the conducts of the Company
  - c) Demonstrate ethical standards and integrity in business dealings
  - d) Ability to make sensible business decisions and recommendations towards the creation of shareholders' value
  - e) Commitment to achieve the Company's objectives

### **3.9 Directors' Training**

- 1) Any director appointed to the Board is required to complete the Mandatory Accreditation Programme (MAP) within 4 months from the date of appointment.
- 2) The Board has adopted a training policy that each director shall commit at least 2 days annually to attend training courses of his own personal requirement as part of the continuous education programmes.

### **3.10 Remunerations**

- 1) The Remuneration Committee reviews and recommends the remuneration package of executive directors and non-executive directors to the Board for approval.
- 2) The remuneration package of the executive directors is structured so as to link rewards to corporate and individual performance.
- 3) The remuneration package of non-executive directors is structured to reflect the experience and level of responsibilities undertaken.
- 4) The Board then proposed the remuneration of non-executive directors as recommended by the Remuneration Committee to shareholders for approval at the annual general meeting.
- 5) Each individual director shall abstain from deliberation on his own remuneration.

### **3.11 Access to Information and Independent Advice**

- 1) The Board, Board Committees and in their individual capacity as a director have unrestricted access to all information of the Group necessary in discharging of their duties.
- 2) All the directors have access to the advice and services of the Company Secretary in carrying out their duties and to ensure all rules, requirements and regulations are complied with.
- 3) The directors may obtain further information which they may require in discharging their duties such as seeking independent professional advice, if necessary, at the Company's expense. However, the directors concern must seek the approval of the Board before incurring such expenses.

#### **4. BOARD MEETINGS**

##### **4.1 Notice of Meetings**

- 1) Any director may, at any time and the secretary at the request of the director shall, summon a meeting of the Directors.
- 2) The Company Secretary shall circulate to all directors with the agendas and Board papers, at least 7 days before the Board meeting to enable the directors to read and participate actively in the meeting.
- 3) Notice of a meeting shall be deemed to be duly given to a director if it is given to him by mail or by electronic mail or by facsimile.

##### **4.2 Frequency of Meetings**

- 1) The Board shall meet at least 4 times in a financial year with additional meetings convened as and when required.
- 2) Board meetings are scheduled at the onset of the calendar year. The annual schedule of meetings with indication of key agendas is circulated to all directors so as to enable the directors to plan accordingly and fit the year's meetings into their schedule.

##### **4.3 Proceedings of Meetings**

- 1) The quorum of Board meeting shall be 2 directors.
- 2) If the Chairman of the Board is not present within 15 minutes after the time appointed for holding the Board meeting, the directors present may choose one of their numbers to act as chairman of the meeting.
- 3) In case of equality of votes, the chairman of the meeting shall have a casting or second vote except where only 2 directors form the quorum or where only 2 directors are competent to vote on the question at issue.
- 4) The Board also resolves and approves certain Company's matters via circular resolutions to be signed by a majority of directors present in Malaysia.
- 5) The minutes of the Board and Directors' Circular Resolutions are kept by the Company Secretary and are available for inspection by any director during office hours.

##### **4.4 Board Committees Meetings**

- 1) The Board Committees generally meet quarterly or as prescribed under their respective terms of reference.
- 2) Board Committees which meet quarterly, usually hold their meetings on the same day as the quarterly scheduled Board meetings.
- 3) The minutes of Board Committees are kept by the Company Secretary and are available for inspection by any director during office hours.

#### **4.5 Attendance and Time Commitment**

- 1) All directors must attend at least 50% of the total Board meetings held in the financial year.
- 2) All directors must demonstrate their commitment to the business and affairs of the Group by making time for all meetings and key events towards fulfilling their roles and responsibilities as director of the Company. Commitment to time shall be a condition of their appointment on the Board.

### **5. DISCLOSURES BY DIRECTORS**

#### **5.1 Conflict of Interest**

- 1) The directors are required to declare to the Board in the event that they have interests in contracts or proposals being considered by the Board, including where such interest arises through persons connected to them, in line with the statutory requirements of disclosures of directors' interest.
- 2) The directors are required to disclose their shareholdings in the Group, other directorships and any potential conflicts of interest.
- 3) The interested directors shall abstain themselves from deliberations or decisions on matters in which they have direct and/or indirect interests.

#### **5.2 Related Party Transactions**

- 1) The directors are required to declare to the Board in the event that they intend to enter into any related party transactions with the Group.
- 2) The information to be disclosed are as follows:-
  - a) Name of the transacting related party
  - b) Relationship between the related parties
  - c) Nature and value of transaction(s)
  - d) Any other information necessary for the knowledge of Board for deliberations

#### **5.3 Dealings in Securities of the Company**

- 1) The directors, principal officers of the Group and including persons who have access or are privy to price-sensitive information must strictly observe the provisions of the Main Market Listing Requirements of Bursa Securities as to dealings in the securities (shares/warrants) of the Company during Closed Period and Outside Closed Period.
- 2) Closed Period means a period commencing from 30 calendar days before the targeted date of announcement to Bursa Securities of the quarterly results, up to the date of announcement of the quarterly results.
- 3) The directors and principal officers are prohibited to be involved with the dealings in the securities unless the procedures relating to dealing in securities during Closed Period have been complied.

- 4) The following procedures in regards to dealings in the securities of the Company during Closed Period must be adhered to –
  - a) The director or principal officer (Affected Person) must give notice on his intention to deal in the securities and inform his current shareholdings to the Company;
  - b) Upon receipt of such notice, the Company must immediately announce to Bursa Securities;
  - c) The proposed dealing can only be effected 1 full market day after the announcement;
  - d) The Affected Person must give notice of his dealings in writing to the Company Secretary within 1 full market day after the dealing; and
  - e) Upon receipt of such notice, the Company must immediately announce to Bursa Securities.
- 5) Persons connected to directors and principal officers are also to abstain from dealing if they are in possession of the price sensitive information.
- 6) Any directors or principal officers if they dealt in the securities of the Company outside Closed Period must inform the Company Secretary within and in any event not later than 5 days after the dealing has occurred.
- 7) Any directors who are also substantial shareholder of the Company if they dealt in the securities of the Company outside Closed Period must inform the Company Secretary within and in any event not later than 3 days after the dealing has occurred.

## **6. COMPANY SECRETARIES**

- 1) The Company Secretary or Secretaries shall be appointed by the Board in accordance with the Companies Act, 2016.
- 2) The Company Secretaries shall have tertiary educations and are qualified to act as company secretaries under Section 235(2) of the Companies Act, 2016.
- 3) The Company Secretaries are responsible in ensuring compliance with all statutory & regulatory requirements, recording the proceedings of the Board and Board Committees including proper maintenance of secretarial records.
- 4) The Company Secretaries must regularly keep themselves abreast of the regulatory changes and developments in corporate governance through attendance at various continuous education programmes.