

PERMAJU INDUSTRIES BERHAD
(Company No. 379057-V)

BOARD CHARTER

1. Introduction

The Board of Directors (“Board”) of Permaju Industries Berhad (“Permaju” or “the Company”) recognises Corporate Governance as important principles and practices to be upheld, and it will continuously strive to ensure that good Corporate Governance is implemented and carried out throughout the Group, with the ultimate objective to adopt good governance practices as an integral part of our business dealings and organisation culture.

The Board has primary responsibilities to the shareholders for the welfare of Permaju by guiding and monitoring the business and affairs of the Company. The Board must at all times act honestly, fairly and diligently in all respects in accordance to the Malaysian Code on Corporate Governance (“MCCG”) 2012 and applicable laws.

Each of the directors, when representing the Company, must act in the best interest of the shareholders of Permaju and in the best interest of Permaju as a whole.

The Company would ensure that its Board Charter and all relevant documents as recommended are easily accessible to its shareholders and stakeholders.

2. Objectives

The objectives of the Board Charter are to ensure 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 that will safeguard and enhance shareholders’ investment and value and at the same time protect the interests of the stakeholders.

3. The Board

3.1 Board’s Overall Responsibilities

The Board shall strive to ensure that the Company and its subsidiaries (“Group”) are managed to achieve this objective. This responsibility of the Board would be an active and not passive responsibility. The Board shall ensure that the management has in place appropriate processes for risk management, internal control and the monitoring of performance against agreed benchmarks. The Board shall work with senior management as collaborators in advancing the interests of the Group. However, the Board shall not be too accepting of the management’s views and shall test and question the management’s assertions, monitor progress, evaluate management’s performance and will, where warranted, take corrective action.

3.1 Board's Overall Responsibilities (continue)

In addition to fulfilling its commitment for maximisation of shareholder's 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.

The duties, powers and functions of the Board are governed by the Articles of Association of the Company, the Companies Act 2016, regulatory guidelines and requirements that are in force.

3.2 Roles and Responsibilities of the Board

Having regard to the commitments, the Board is expected to direct and supervise the management of the business by fulfilling the following responsibilities: -

1. To review and approve the strategies, business plans and significant policies after satisfying themselves that management has considered all the relevant and appropriate considerations in establishing the strategies, plans and policies;
2. 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 business capital;
3. To monitor implementation, progress and performance of the strategies, policies, plans, legal and fiduciary obligations that affect the business by adopting performance appraisal measures;
4. To evaluate whether the business is being properly managed and to ensure that the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard the Company's assets;
5. To ensure that the Group has appropriate business risk management process, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;
6. To establish various Board Committees and ensure their effectiveness to address specific issues, by considering recommendations of the various board committees and acting on their reports;
7. To ensure that the financial statements of the Company and Group are fairly stated and otherwise conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;
8. To ensure that there is in place an appropriate succession plan for members of the Board and senior management;

3.2 Roles and Responsibilities of the Board (continue)

9. To ensure that the Group adheres to high standards of ethics and corporate behaviour including transparency in conduct of business. Directors are required to comply with the Directors' Code of Best Practice which amongst others includes the declaration of any personal, professional or business interest, direct or indirect which may conflict with directors' responsibilities as a Board Member and to refrain from voting on such transaction with the Group;
10. To ensure that there is in place an appropriate investor relation and communication policy;
11. To ensure that the Company's corporate disclosure are in compliance with the disclosure requirements as set out in the Bursa Malaysia Listing Requirements; and
12. To consider wider usage of information technology in communicating with stakeholders including establishing a dedicated section for corporate governance on the Company's website.

Directors should consult the Chairman and / or the Company Secretary, as required for any clarifications on their responsibilities and duties and any dealings from which potential conflict of interest situation may arise.

The Board is ultimately accountable and committed for the affairs and performance of the Company.

3.3 Role of the Chairman

The Chairman is primarily responsible for orderly conduct and function of the Board.

The role and responsibilities of the Chairman include: -

- ❖ Leading the Board in setting its values and ethical standards of the Company
- ❖ Chairing meetings of the Board and stimulating debates on issues and encouraging positive contributions from each Board Member
- ❖ The Chairman should consult with the Managing Director and Company Secretary in setting agenda for the Board Meetings and ensures all relevant issues are on the agenda
- ❖ Ensuring Board proceedings are in compliance with good conduct and best practices
- ❖ Maintaining a relationship of trust with and between the Executive and Non-Executive Directors
- ❖ Ensuring accurate, timely and clear information to Directors are provided
- ❖ Ensuring effective communication with shareholders and relevant stakeholders
- ❖ Arranging for regular evaluation of performance of Board Members, its committees and individual Directors
- ❖ Facilitating effective contribution of Non-Executive Directors and ensuring constructive discussions at board meetings
- ❖ In determining policies matters, the Chairman should ensure that the following are carried out: -
 - (i) All directors are properly briefed on issues arising at board meetings;
 - (ii) There is sufficient time allowed for discussion on complex or contentious issues and where appropriate, arranging for informal meetings beforehand to enable thorough preparations;

- ❖ The Chairman should allow every board resolution to be voted on and ensure the will of the majority prevails;
- ❖ The Chairman shall cast his votes in accordance with the prescribed articles of association of the Company
- ❖ In conjunction with the Managing Director, to represent the Company and/or Group to external parties such as major shareholders, creditors, consumer groups and other stakeholders
- ❖ Ensuring that all Board members, when taking up office, are fully briefed on the terms of their appointment, time commitment, duties and responsibilities, and the business of the Group

The Chairman shall act as liaison between the Board and the Management, and in particular between the Board and the Managing Director.

3.4 Role of the Managing Director

The Managing Director 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 Managing Director is accountable for the overall performance of the Company and for the day to day running and management of the company's business, under delegated authority by the Board. The Managing Director shall implement policies, strategies and decisions approved by the Board.

The role of the Managing Director can be summarised as follows:-

- ❖ to develop and recommend to the Board a long-term strategy and vision for the Company and/or Group that leads to the creation of long-term prosperity and shareholders' value
- ❖ to develop and recommend to the Board the operational plan and budget that support the Company's and/or Group's long-term strategy
- ❖ to foster a corporate culture that promotes ethical practices, encourages individual integrity and for the fulfilment of the Company's corporate social responsibilities
- ❖ to maintain a positive and ethical working environment that is conducive to attracting, retaining and motivating a diverse workforce at all levels
- ❖ to recommend suitable management structure and operating authority levels which include delegations of responsibilities to the management
- ❖ to ensure an effective management team below the level of the Managing Director and to develop an active succession plan
- ❖ to formulate and oversee implementation of major corporate policies
- ❖ to be accountable to the Board for the financial management, reporting, including forecasts, budgets of the Company and/or Group
- ❖ to prepare reports to the Board periodically on the financial positions, key performance indicators, market conditions and business development from time to time
- ❖ to ensure continuous improvement in quality and value of the Company's products and services
- ❖ to serve as spokesperson for the Group
- ❖ to refer to the Board committees on matters requested from time to time

4.0 Guidelines for Board Membership

(a) Attributes and composition

The Board shall consist of individuals who possess diverse experiences, knowledge, qualifications, and expertise besides having high standards of professionalism and integrity. The size of the Board should facilitate the making of informed and sound decisions. At all times the Board shall have a balanced composition of Executive and Non-Executive Directors, with at least one third of the Board being Independent Non-Executive Directors.

The Independent Directors shall provide independent judgment and objectivity without being subordinated to operational considerations. The Independent Directors help to ensure that the interest of all shareholders, and not only the interest of a particular group, and that all relevant matters and issues are objectively and impartially considered by the Board. The views and opinions of the Independent Directors shall carry significant weight in the Board's decision-making process.

If, on any matter discussed at a Board Meeting, any Director holding differing views to those of any other Directors, the Board minutes shall clearly reflect this.

(b) Procedure of appointment

The selection of new Directors is done via nominations by the major shareholders and/or holding company or recommendations from the Management or existing Directors prior to approval by the Board. New Board Members are to be appointed by appropriate recommendation of the Nominating Committee for Board's consideration and decision of the full Board.

The Company does not adopt any formal gender diversity policy in the selection of new Board candidates. The evaluation of the suitability of candidates as the new Board member is based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Company, regardless of gender.

Newly appointed Directors are expected to declare their time commitment to the Board, and if they are nominated to the Board of other listed corporations as a director, to notify the same to the Board.

The number of directorships in listed corporations held by any Board Member at any one time shall comply with the listing requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company Secretary shall assist to ensure all relevant procedures and compliances are fulfilled relating to the appointment of new Directors.

(c) New Board Member's Induction & Training

Appropriate induction programme for newly appointed Directors shall be carried out as advised by the Company Secretary with assistance from other senior Executive Directors.

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.

The Board shall ensure compliance of the Mandatory Accreditation Programme of Bursa Securities for newly appointed directors and the Nomination Committee to assess further training programme needs of the directors on an on-going basis.

(d) Board Members' Retirement by Rotation

All Directors shall be subject to retirement by rotation in accordance with the Listing Requirements and the Company's Articles of Association.

5.0 Board Process and Supply of Information

The Company shall provide to all Directors with timely and quality information and in the form and manner appropriate for them to discharge their duties effectively.

The Management is responsible for providing the Board with the relevant and required information for business judgment and decision-making in an appropriate and timely manner, and the Board Members, where necessary may consult with experts and professionals for advice and at the expense of the Company.

(a) Board Meetings

The Chairman, assisted by the Company Secretary and Managing Director shall assess the type of information to be furnished to the Board Meetings. The Board shall meet on a regular basis throughout the year. At each scheduled meeting, a full and comprehensive Board paper shall be circulated to all Board Members well in advance giving ample time for reading and preparation by Board Members.

The Board paper, amongst others, shall include the following:-

- Minutes of meetings of all committees of the Board;
- A current review of the business operations of the Company;
- Quarterly financial reports, reports on cash flow and borrowings positions, budgets and other financial reports;
- Directors' Securities dealings
- Reports on related party transactions and recurrent related party transactions;
- Annual management plans; and
- Report on key business risks, the development of and progressive monitoring of a sound framework of internal controls and regulatory compliance.

In carrying out Board Meeting procedures, and meeting the requirements of a valid Board Meeting, the Company's Articles of Association shall be followed. The minutes of the Board Meetings shall be duly entered into the minute book of the Company. Such Board Meetings having been signed by the Chairman of the meeting at which the proceedings were held, or by the Chairman of the next succeeding meeting shall be conclusive evidence of the meeting held. Minutes of the Board Meeting shall be distributed to all members of the Board.

(a) Codes of conduct

The Directors shall at all time act within the authority conferred upon them in the best interest of the Company and shall:

- (a) uphold the best interest of the Company and/or Group and its stakeholders;

- (b) have a clear understanding of the aims and objectives, capabilities and capacity of the Company;
- (c) devote time and effort to attend meetings and to know what is required of the Board and each of its Directors, and to discharge those function;
- (d) ensure at all times that the Company is properly managed and effectively controlled;
- (e) stay abreast of the affairs of the Company and be kept informed of the Company's compliance with relevant legislations and contractual requirements;
- (f) be kept informed on all matters of importance to the Company in order to be effective in corporate management and to maintain sufficient detailed knowledge of the Company's and/or Group business and performance and make informed business decision;
- (g) limit his directorship of companies to a number in which he can best devote his time and effectiveness; each director has to make his own judgement of his abilities and how best to manage his time effectively in the Company in which he holds directorship. In the case od directorship in listed issuers, he must comply with the requirements in the Listing Requirements;
- (h) have access to the advice and services of the Company Secretary who is responsible to the Board to ensure proper procedures, rules and regulations are complied with;
- (i) at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the Company;
- (j) disclose immediately all contractual interests whether directly or indirectly with the Company and also to disclose immediately all related party transactions with the Company and the Group;
- (k) neither divert to his own advantage any business opportunity that the Company is pursuing nor use confidential information obtained by reason of his office for his own advantage or that of others;
- (l) at all times act with utmost good faith towards the Company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties;
- (m) exercise independent judgment and if necessary, openly oppose, if the vital interest of the Company is at stake;
- (n) act with integrity, professionalism and in good faith;
- (o) meet regularly with Managing Director to continuous establish and approve policies;
- (p) assess, question and challenge the policies and procedures with the intent to identify and initiate management action on issues;
- (q) keep the Board discussions and deliberations confidential;

- (r) act in a manner as expected of a fiduciary by not making improper use of information gained and taking improper advantage of the position as a Director;
- (s) avoid any potential conflicts of interest arising from related party transactions, potential misuse of corporate assets, privileged information;
- (t) not be in competition with the Company; and
- (u) declare any potential conflict of interest.

(b) Board's Access to Independent Professional Advice

The Board is entitled to obtain independent professional advice at the cost of the Company, and the Director who considers this as necessary shall follow these guidelines:-

- (i) First discuss with the Chairman;
- (ii) Provide written notice to the Company Secretary of his intention to seek independent advice with brief summary of the subject matter; and
- (iii) The Board shall be notified and approval be obtained prior to the engagement of the professional advisors.

Independent advice sought shall exclude those of personal interests which include inter alia those related to the Director's personal disputes in matters that are not related or affect the Board or the Company as a whole.

6.0 Board Committees

The Board shall establish the following Board Committees with specific terms of reference.:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

7.0 Financial Reporting & Integrity

The Board aims to present a balanced and understandable assessment of Group's financial position and prospects and ensures that the financial statements are of reliable source of information for shareholders and other stakeholders. The Board will ensure that the Audit Committee obtains written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

7.1 Sound Risk Management Framework and Internal Control System

The Board ensures that there is an ongoing process for identifying and managing significant risks faced by the Group. The Board believes that maintaining a sound system of internal control is based on a clear understanding and appreciation of the following key elements:-

- (a) Determining the Company's level of risk tolerance and activity identified, assessing and monitoring the key business risks to safeguard shareholders' investments and the Company's assets;

- (b) Commitment to articulate, implement and review the Company's internal control systems;
- (c) Periodic testing of the effectiveness and efficiency of the internal controls procedures and processes to be conducted to ensure that the system is viable and robust.

The Management has carried out a risk assessment review on the Company's and Group's operations, which covers all aspects of the business activities. The risk profiles including its tolerance level thereof, and risk registers are reported by the Management to the Audit Committee on an annual basis. The Chairman of the Audit Committee reports the significant risks and control issues to the Board for its consideration.

7.2 Enhancement to System of Internal Control

The scope of activities of the Internal Audit function include the following:-

- (i) Review and appraise the soundness, adequacy and application of the system of internal controls and recommend improvements thereon.
- (ii) Ascertain the extent of compliance with established policies, procedures and statutory requirements.
- (iii) Appraise the reliability, integrity and usefulness of financial and management information developed.
- (iv) Review the controls for safeguarding assets and as appropriate, verify the existence of assets; and
- (v) Identify ways and opportunities to improve the effectiveness and efficiency of the operations and processes of the Group

The adequacy and effectiveness of the internal control is assessed by adopting a systematic approach in reviewing the Group's business and operational control, risk management and governance process.

7.3 Internal Audit Function

The Group has been outsourcing the Internal Audit function to MAC & Associates PLT which undertakes regular and systematic reviews of the system of controls so as to provide reasonable assurance to the Audit Committee on the adequacy of the internal controls and that they have been operating satisfactorily and effectively. 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.

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

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

8.0 General Meetings

General Meetings are important avenues for shareholders to exercise their ownership rights. The Board shall facilitate the exercise of these rights and take reasonable steps to encourage shareholders participation at general meetings, by serving notices for meetings as required by law and regulation. The Board shall disclose all relevant information to shareholders to enable them to exercise their rights by attending the general meetings and vote in the appropriate manner. With effect from 1 July 2016, all resolutions set out in the notice of general meetings will be carried out by poll voting. The Board make an announcement of the detailed results showing the number of votes cast for and against each resolution at general meetings to facilitate greater shareholder participation.

9.0 Investor Relation and Effective Communication

The Board acknowledges the need for effective investor relation and communication with shareholders and to provide them with all relevant information affecting the Company, and as such adopts an open transparent policy and the Board shall also endeavour to ensure timely release of information to shareholders. To achieve this, the Company has implemented amongst others, the following:

- (i) Timely release of announcements and disclosure made in accordance to Bursa Listing Requirements to the Bursa Malaysia Securities Berhad, which includes quarterly financial results, material contracts awarded, changes in the composition of the Group and any other material information that may affect investors' decision making;
- (ii) Encouraging full participation of shareholders at all Annual General Meetings to ensure a high level of accountability and discussion of the Company's strategy and goals. The Company will also invite the external auditor to attend the Annual General Meeting and be available to answer shareholders' questions about the conduct of the audit and preparation and content of the auditors' report;
- (iii) Making available the summary of the Group's investor relation activities during the financial year and additional corporate information and/or disclosures of the Group for reference on the Company's official website.

10.0 Relationship With Other Stakeholders

As a corporate citizen, the Board is cognizance of formulating strategies that promote sustainability and stakeholders' interests through internal policies. In this regard, the needs and interests of stakeholders are categorized as follows:-

10.1 Employees

Employees are invaluable assets of the Company and play a vital role in helping the Company to achieve its vision and mission. The Board endeavours to provide a conducive working environment in their workplace and adopts a comprehensive and documented policies and procedures in Occupational Safety and Health with the objective of ensuring safety and health at the workplace for all employees.

10.2 Social Responsibility

The Board acknowledges that the Company should play an important role in contributing towards the welfare of the community in which it operates and shall continuously identify opportunities supporting charitable causes and initiatives in community developments projects.

10.3 Environment

The Board acknowledges the need to safeguard and minimize the impact to the environment in the course of achieving the Company's objectives. The Board's agenda reflects the commitment to economic support for longer term sustainability with a focus on the positive impact on the environment, community and society.

11.0 Application of the Charter

The Board Charter sets out the principles and guidelines that are to be applied in practice by the Board and its Board Committee and lay down in narrative form the role, responsibilities and functions of the proponents of good corporate governance in the Company.

The Board Charter will periodically be reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

The Board Charter was last reviewed and adopted by the Board on February 2017.