

PEKAT GROUP BERHAD
201901011563 (1320891-U)
(Incorporated in Malaysia)
("PEKAT" or "the Company" or "the Group")

BOARD CHARTER

1.0 PURPOSE OF THIS CHARTER

This Board Charter of Pekat Group Berhad ("Pekat" or "the Company") sets out Pekat's Board of Directors ("Board") composition, roles and responsibilities and processes. It provides an overview of how the Board leads by strategic guidance and effective oversight of the management of Pekat ("Management"). It also sets out the delegation of authority by the Board to various committees to ensure that the Board members in performing their responsibilities on behalf of Pekat would act in the best interests of all stakeholders.

The Board is collectively responsible for the proper stewardship of the business of Pekat and its group of companies ("Group") and the creation of long-term success of the Group as well as the delivery of sustainable value to its stakeholders.

This Board Charter will assist the Board in the assessment of its own performance and that of its individual Directors.

Whilst this Board Charter serves as a structured guide, especially for new Directors who are on-board, it shall not be construed as an exhaustive blueprint by Directors on corporate governance matters.

This Board Charter is subject to the provisions of the Companies Act 2016 ("Companies Act"), the Constitution of Pekat, the ACE Market Listing Requirements ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Malaysian Code on Corporate Governance 2017 ("MCCG") and any other applicable law or regulatory requirements.

2.0 BOARD COMPOSITION

a) Size and Composition

The Board should consist of qualified individuals with diverse set of skills, knowledge, experiences, background, gender and perspective to ensure that there is sufficient diversity and independence in facilitating the deliberation, review and decision making in order to discharge their duties and responsibilities effectively. The composition and size of the Board is such that it facilitates the decision making of the Company. Whilst the Constitution of the Company allows for at least two (2) and (unless otherwise determined by ordinary resolution) not more than twelve (12) directors, the Board shall examine and determine its size periodically in relation to the effective running of the Group's business.

The Board, through the Nominating Committee, shall take steps to adhere to at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are Independent Directors and if the number of Directors of the Company is not three (3) or a multiple of three (3), then the number nearest 1/3 must be used.

The Board shall also identify from amongst its members, a Senior Independent Director to whom concerns of fellow Directors, shareholders or stakeholders may be conveyed.

The Board collectively, and each Director individually, has the right to seek independent professional advice at the Company's expense, subject to the approval of the Chairman or in the Chairman's absence, the Board.

b) Appointment and Re-election

To enhance the Board's effectiveness, the Nominating and Remuneration Committees are entrusted by the Board to identify and appraise candidates for directorship, to ensure Directors have the appropriate skills, experience, knowledge, expertise and time commitment, including those who retire and offer themselves for re-election, before recommending to the Board.

The Company's Constitution provides that every newly appointed Director will be subject to retirement at the next annual general meeting of the Company ("AGM") after the appointment. At the first AGM, all the Directors shall retire from office at the conclusion of the AGM, and at the AGM in every subsequent year, one-third (1/3) of the Directors are subject to retirement by rotation such that each Director shall retire from office once in every three (3) years or, if their number is not three (3) or a multiple of three (3), the number nearest to one-third (1/3) shall retire from office. All Directors who retire from office shall be eligible for re-election. In identifying candidates for appointment as Director, the Board does not solely rely on recommendations from existing Board members, Management or major shareholders. The Board may utilise independent sources to identify suitable qualified candidates not limited to source from a Directors' Registry, open advertisements and independent search firms.

c) Independent Director

The Board undertakes to assess the independence of its Independent Directors upon their appointment, annually and when any new interest or relationship develops.

In the event that even if a person does not fall within any of the disqualifying indicators enumerated out in Paragraph 1.01 of the AMLR, both the Director and the Board must give effect to the spirit, intention and purpose of the definition of an independent director. There must be a conscious application of the test of whether the said Director is independent of Management and free from any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement or the ability to act in the best interest of the Company.

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years.

d) New Directorship and Time Commitment

Directors shall devote sufficient time to carry out their responsibilities. The Board shall obtain this commitment from its members at the time of appointment. Each

Director is expected to commit time as and when required to discharge the relevant duties and responsibilities, besides attending meetings of the Board or Board Committees.

Any Director shall notify the Chairman of the Board before accepting any new directorship. The notification shall include an indication of time that will be spent on the new appointment.

The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company.

Each Director shall not hold more than five (5) directorships in listed companies or such other requirements as prescribed by the AMLR.

3.0 BOARD PERFORMANCE

The Board recognises the importance of assessing the effectiveness of individual Directors, the Board as a whole and its Committees. The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis. On an annual basis, the Board, with the assistance of the Nominating Committee, shall evaluate its own performance and the extent to which the Board has met the requirements of its Board Charter, including the assessment on the Board as a whole, Board Committees and individual Directors. Reference shall be made to the Nominating Committee Terms of Reference for specific details.

4.0 ROLES AND RESPONSIBILITIES OF THE BOARD

a) Roles of the Board

The Board oversees the business and affairs of the Company and will assume, amongst others, the following duties and responsibilities:

- (i) To provide leadership and oversee the overall conduct of the Group's businesses to ensure that the businesses are being properly managed;
- (ii) To review and adopt strategic plans for the Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
- (iii) To review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard the Group's reputation, and the employees and assets and to ensure compliance with applicable laws and regulations;
- (iv) To ensure that the Group has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code on Corporate Governance;
- (v) To review the effectiveness and implementation of the anti-bribery and anti-corruption policy and framework;
- (vi) To review and approve the Group's annual business plans, financial statements and annual reports;

- (vii) To monitor the relationship between the Group and the management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for the Group; and
- (viii) To appoint the Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by the Board committees and deliberate on the recommendations thereon.

b) Policy and Strategies

The following matters shall be reserved to the Board for determination and/or approval (save to the extent that the Board resolves that determination and/or approval of any such matter shall be delegated to the Committees of the Board or Management):

- Group and divisional strategy, plans and budgets;
- corporate plans and programmes;
- annual budgets, including major capital commitments;
- new ventures;
- material acquisitions and disposals of undertakings and properties; and
- changes to the management and control structure within the Group, including key policies, procedures and delegated authority limits of the Group.

b) Roles of Non-Executive Chairman and Managing Director (“MD”) and Chief Executive Officer (“CEO”)

The positions of Non-Executive Chairman, MD and CEO should be held by different individuals. The roles and responsibilities of the Non-Executive Chairman, MD and CEO are clearly segregated to further enhance and preserve a balance of authority and accountability.

The Non-Executive Chairman presides over meetings of Directors and is responsible for instilling good corporate governance practices, leadership and the effectiveness of the Board. The Non-Executive Chairman is primarily responsible for the following:

- (i) ensuring orderly conduct of the Board meetings by:
 - setting the agenda for each Board meeting together with the Company Secretary, MD and the CEO. Other Directors and key members of Management may also be consulted;
 - ensuring the provision of accurate, complete, timely and clear information to the Directors;
 - leading Board meetings and discussions;
 - managing Boardroom dynamics by promoting a culture of openness and debate; encouraging active participation and allowing dissenting views to be freely expressed; and
 - ensuring all Directors are properly briefed on issues arising at Board meetings in a timely manner.
- (ii) providing leadership to the Board in its collective oversight of management by:
 - taking a leading role in establishing an effective corporate governance system and practices, including Board and Committee Charters, a Committee structure and ensuring that induction as well as ongoing education programmes for Directors are in place;
 - ensuring that prior to new appointments to the Board, an assessment is undertaken on the candidate, which may include a competency and behavioural analysis of the candidate; and
 - ensuring that the Board and senior executive succession planning is considered on an ongoing basis.
- (iii) ensuring effectiveness of the Board by:
 - arranging the regular evaluation of the performance of the Board, its Committees and individual Directors and discussing the performance assessment with individual Directors and Committee Chairmen.

The MD assumes the overall responsibilities for the execution of the Group's long-term strategic planning and direction in line with the Board's direction and drives the Group's businesses and performance towards achieving the Group's vision and goals. The MD is primarily responsible for the development of the Group's new business plans and investment opportunities in accordance with the strategies and policies approved by the Board; and

On the other hand, the CEO assumes the overall responsibilities for the execution of the Group's business plans and strategies, oversees the operations and drives the Group's businesses and performance towards achieving the Group's vision and goals. The CEO is primarily responsible for the following:

- i. focuses on the business and day-to-day management of the Group;
- ii. holds the primary executive responsibility for the Group's business performance and manages the Group in accordance with the strategies and policies approved by the Board; and
- iii. to lead the senior management of the Company in making, implementing and managing the day-to-day decisions on the Company's business operations, the Group's resources and the associated risks involved in pursuing the Group's corporate objectives. This is also in line with the objective to cultivate an effective management succession plan of the Group which will enable business continuity and sustainability.

The Board shall receive the following from or through the MD and CEO at its scheduled meetings:

- reports on the performance and activities of the Group for the period under review, including explanations for significant fluctuations over the period; and
- where appropriate, a briefing pertaining to current and future initiatives, risk management issues, challenges faced by the Group, changes to legislations that may affect the Group's operations, litigations and other salient events or issues affecting the Group.

The MD, CEO and his/her fellow Executive Directors shall act within all specific authorities delegated to them by the Board.

d) Role of Executive and Non-Executive Director

- (i) A Director shall at all times:
 - exercise his/her powers for a proper purpose and in good faith in the best interest of the Company and shall act honestly and use reasonable care, skill and diligence in the discharge of the duties of his/her office and shall not make use of any information acquired by virtue of his/her position to gain directly or indirectly an improper advantage for himself/herself or for any other person or to cause detriment to the Company; and
 - avoid conflict of interest, and shall as soon as practicable after the relevant facts have come to his/her knowledge, declare the nature of his/her interest at a meeting of the Directors of the Company. Every Director shall give notice to the Company of such events and matters relating to him/her as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Companies Act.
- (ii) Executive Directors are, as employees, involved in the day-to-day management of the Company and the Group shall assist the MD and CEO in the effective implementation of the Company's strategic plan and policies established by the Board and managing the daily operations of the Company.

(iii) Non-Executive Directors are further classified as:

- a. those who have no direct or indirect pecuniary interest in the Company other than their Directors' fee related emoluments and their "permitted" holdings of shares in the Company, i.e. Independent Directors; and/or
- b. those who are not employees of the Company or the Group or affiliated with it in any other way and are not involved in the day-to day running of the business but have pecuniary interest in the Company, either as shareholders or otherwise and whether direct or indirect, i.e. Non-Executive Directors.

Non-Executive Directors act as a bridge between Management, shareholders and other stakeholders. They provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied. The roles of Non-Executive Directors largely encompass the monitoring of Company performance and contributing to the development of Company strategy by:

- constructively challenging and contributing to the development of Company strategy;
- scrutinise the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance; and
- satisfying themselves that the financial information presented is accurate and that financial controls as well as systems of risk management are robust and defensible.

e) Roles of Independent Directors

The role of an Independent Director broadly includes the following:

- to ensure there is a proper check and balance on the Board by providing unbiased and independent views in Board deliberations and decision making of the Board, taking into consideration the interest of all shareholders, not only the interests of a particular function or group, but also the minority shareholders;
- to improve corporate credibility and governance standards, functioning as a watchdog, and make significant contributions to the Company's decision making by bringing in the quality of detached impartiality; and
- to make independent assessment of information, reports or statement when the interests of Management, Company and/or shareholders diverge, such as executive performance and remuneration, related party transactions and audit matters.

f) Role of Senior Independent Director

The Board shall appoint among its members a Senior Independent Director to act as:

- a sounding board for the Chairman;
- an intermediary for other Directors when necessary; and
- the point of contact for shareholders and other stakeholders.

g) Board Committees

The Board may from time to time establish committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions to the committees to assist in the execution of its responsibilities:

The committees shall operate under clearly defined terms of reference as approved by the Board to assist the Board in the discharge of its duties and responsibilities. In so doing, the Board should not abdicate its responsibilities and should at all times exercise collective oversight of the Board Committees and Management. The roles and responsibilities, structure and composition of the Committees as stated in the terms of reference will be assessed and reviewed as and when necessary to ensure the terms of reference are in accordance to the MCCG and AMLR. The Chairmen of the respective committees reports to the Board on the outcome of the committee meetings.

The following standing Committees have been established by the Board:

i. Audit Committee

The Audit Committee assists and supports the Board primarily in fulfilling its responsibility to oversee the Group's accounting and financial reporting matters.

ii. Remuneration Committee

The Remuneration Committee assists the Board in providing overall guidance and making recommendations to the Board on the remuneration and other benefits for the Directors and key senior management of the Company.

iii. Nominating Committee

The Nominating Committee assists the Board by identifying individuals qualified to serve the Board and its Committees and recommends to the Board, members and chairmen for each committee to enable the Board and committees to function effectively and efficiently.

iv. Risk Management Committee

The Risk Management Committee shall lead the strategic direction in the management of the business risks, including oversight on the establishment and implementation of a risk management framework and reviewing the effectiveness of the risk management framework in identifying and managing risks and internal processes which include but are not limited to ensuring the adequacy of the risk management policy and infrastructure to facilitate the implementation of action plans for risk management.

The objectives of the framework are to ensure the provision of quality products and services and to monitor the risk culture and processes throughout the Group to take advantage of opportunities while managing risks that may adversely affect the reputation of the Group, and achievement of business objectives.

The terms of reference of each committee are available on the Company's website at www.pekat.com.my

5. BOARD MEETINGS

(i) Frequency

The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit.

(ii) Notice and agenda

The notice of Board Meeting, full agenda and the supporting Board Papers should be given at least five (5) business days prior to each Board Meeting allowing Directors sufficient time to review the same and Directors are expected to review in advance any such materials in order to facilitate meaningful deliberation during each meeting.

(iii) Quorum

The quorum for a Board meeting shall be a minimum of two (2) Directors. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to chair the meeting.

(iv) Attendance requirement

All Directors must meet the minimum 50% attendance requirement imposed by the AMLR. Senior management who are not directors may be invited to attend and speak at Board meetings on matters relating to their areas of responsibility. The Board may also invite external parties such as auditors, solicitors and consultants to attend as and when the need arises.

(v) Meeting mode

The Directors may participate at a Board meeting or any committee of the Board by conference telephone, video, electronic or such other communication facilities which would permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. The physical presence of Director(s) is not compulsory and participation at such meeting in the aforesaid manner shall be deemed to constitute presence in person at such meeting. The Directors participating at any such meeting shall be counted in the quorum for such meeting. All resolutions agreed upon by the Directors at such a meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Directors duly convened and held. All information and documents must be made equally available to all participants prior to, at, or during the Board meeting.

In the event matters requiring the Board's decision arise between Board meetings, such matters shall be resolved through circular resolutions which shall be supported by relevant papers setting out details of the subject matter. Such circular

resolutions in writing, signed or approved by letter, electronic mail or other electronic communication by a majority of the Directors shall be as valid and effectual as if it has been passed at a Board Meeting. Such resolutions may consist of several documents in like form, each signed by one or more Board members.

(vi) Voting

All resolutions of the Board shall be adopted by a simple majority vote, each member having one vote. In the case of equality of votes, where two (2) Directors form a quorum, the chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, shall not have a casting vote. Otherwise in the case of an equality of votes the Chairman shall have a second or casting vote.

Directors are required to inform the Board of conflicts or potential conflict of interest that they may have in relation to a particular subject matter or business transaction. These Directors shall abstain from deliberation and determination of those matters.

(vii) Meeting Minutes

The minutes shall record the proceedings of the meeting, the tabling of pertinent issues, the substance of inquiry and response, relevant suggestions and decision made, including whether any Director abstained from voting or deliberating on a particular matter, as well as the rationale behind those decisions. Minutes of meeting should be circulated to all members of the Board in a timely manner.

(viii) Company Secretary

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.

The Company Secretary shall act as the secretary of the Board who shall be in attendance and shall be responsible for keeping minutes of all Board Meetings. The Board also has access to any form of independent professional advice, information and the advice and services of the Company Secretary, if and when required, in carrying out its functions.

The Company Secretary shall be of a senior position with adequate authority and shall report directly to the Board. The appointment and removal of the Company Secretary will be subjected to the approval of the Board.

6. DIRECTORS' REMUNERATION

The fees and any benefits payable to the Directors shall be subject to annual shareholder approval at a general meeting.

The Directors may be paid all travelling, hotel and other reasonable expenses, properly and reasonably incurred by them in the execution of their duties including any such expenses incurred in connection with attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company in the course of the performance of their duties as Directors.

The Company shall provide a fair and reasonable, competitive, remuneration for its executive directors to ensure that the Company attracts and retains high calibre executive directors who have the skills, experience and knowledge to increase entity value to the benefit of all shareholders.

The Board has established a formal and transparent process for approving the remuneration of the Directors, whereby the Remuneration Committee is responsible for reviewing the remuneration policy and making recommendations on the same to the Board for approval. In its review, the Remuneration Committee considers various factors including the Non-Executive Directors' fiduciary duties, time commitments expected of them and the Company's performance.

7. INDUCTION AND TRAINING FOR BOARD MEMBERS

All newly-appointed Directors are required to complete the Mandatory Accreditation Programme required under the AMLR.

All Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programmes. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations.

The Board with the assistance of the Nominating Committee, shall assess the training needs of the Directors from time to time to, to ensure that Directors have access to training courses or seminars at periodic intervals to keep themselves updated on developments pertaining to the oversight function of Directors as well as continuing education programme in order to update their knowledge and skills to sustain their active participation in Board deliberations and effectively discharge their duties.

8. CONFIDENTIALITY AND DISCLOSURES OF INTEREST

The Directors are required to act in the best interests of the Company. The Directors also have a duty of confidentiality in relation to the Company's confidential information.

A Director should disclose to the Board:

- i. any material personal interest they have in a matter which relates to the affairs of the Company; and
- ii. any other interest (direct or indirect) which the Director believes is appropriate to disclose in order to avoid any conflict of interest or the perception of a conflict of interest.

The disclosure should be made as soon as practicable after the Director becomes aware of their interest. Details of the disclosure must be recorded in the minutes of the meeting at which the disclosure is made or the meeting held following the disclosure.

9. INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Company is committed to ensure that shareholders are well-informed of all major developments affecting the state of affairs of the Company. To achieve this, the Company has implemented amongst others, the following:

- i) timely release of announcements and disclosures to Bursa Securities, which include quarterly financial results, material contract and any other material information that may affect the investors' decision making;
- ii) conducts regular dialogues with financial analysts as a means of effective communication that enables the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests;
- iii) press conference which is normally held after the annual general meeting/extraordinary general meeting to provide the media an opportunity to receive an update from the Board on the proceedings at the meetings and to address any queries from the media;
- iv) encourage 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 the preparation and content of the auditor's report; and
- v) shareholders can gain access to information about the Company including the summary of the Group's investor relation activities and media releases through the Company's website, www.pekat.com.my

10. CODE OF ETHICS AND CONDUCT

The Directors are expected to conduct themselves with the highest ethical standards. All Directors and employees are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of the Company.

The Group communicates the Code to all Directors and employees upon their appointment/employment and is deemed to be part of the Terms and Conditions of Service.

The Directors of the Company shall continue to be guided by the attached "Code of Ethics for Company Directors".

11. REVIEW OF BOARD CHARTER

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

The revision of this Board Charter was approved by the Board on 17 November 2023 and is made available for reference on the Company's website www.pekat.com.my.