

POWER ROOT BERHAD (733268-U)

BOARD CHARTER

1. Introduction

This Board Charter (“Charter”) was first adopted by the Board of Directors (“Board”) of Power Root Berhad (“the Company”), its subsidiaries (“the Group”) on 27th January 2014, and was subsequently updated and approved on 25th February 2019 to take into account the changes in the Main Market Listing Requirements (“MMLR”) and the Malaysian Code of Corporate Governance (“MCCG”). The Board is responsible for the success of the Group by providing entrepreneur leadership and direction as well as management oversight. The Board acknowledges that it is the ultimate decision making body of the Group.

This Charter sets out the composition, roles, responsibilities and processes of the Board by ensuring that all Board members are acting in awareness on behalf of the Group of their duties and responsibilities as Board members.

2. Board Composition

The Board of Directors (“the Board”) must consist of qualified individuals with required skills, knowledge, experiences and backgrounds in accordance with the Boardroom Diversity policy established and approved by the Board. The size of the Board is such that it facilitates the making of informed and critical decisions for the Group on a timely and reliable basis.

The Board promotes, embraces diversity and gender mix in its composition with a belief that the presence of diverse ethnicities, ages and gender mix on the Board can widen perspectives of the Board in effectively discharging their duties and responsibilities. While promoting diversity, due recognition to the financial, technical, experiences and skill-sets of the Director’s concerns and business imperatives should remain a priority.

The Company adopts a policy of non-discrimination on the basis of race, age, religion and gender. Thus, the Board encourages a dynamic, diverse composition by nurturing suitable potential candidates that are equipped with competency, skills, experiences, characters, time commitment, integrity and other qualities in meeting the future needs of the Group.

The Board composition is governed by the Constitution of the Company. The Board shall comprise at least two (2) and not more than twelve (12) directors, in accordance with Constitution of the Company.

The nomination and selection of a new director is governed by structured nomination. The selection process is delegated to the Nominating Committee (“NC”). However, the responsibility and authority lies within the Board. The appointment of a new director is decided by the full Board with recommendation from the NC. The evaluation of the potential candidate for new directorship, as well as a director nominated for re-election will be delegated to the NC, with a recommendation being made to the Board for a decision in accordance with the formal *Policy and Procedure on Nomination and Selection of Director*. A potential candidate for independent directorship is subject to independence assessment based on a formal *Policy on Independence Assessment of Independent Directors established by the Board*.

It is the Board’s policy that the former key audit partner for the external audit engagement of the Group is not to be appointed as a member of the Audit Committee for at least two years after he/she left the audit firm.

The retirement and re-election of directors are in accordance to the Constitution of the Company which requires that all Directors of the Company, including the Managing Director are subject to retirement. The evaluation of a director, or a director nominated for re-election is delegated to the NC with recommendations made to the Board for a decision.

At least one of a third of the Board, as well as a person who has served longest in office since their last election is subject to retirement by rotation during the annual general meeting. A newly appointed director shall retire at the next coming annual general meeting. A retiring Director is eligible for re-appointment.

3. Commitment by Directors

All members of the Board are expected to devote sufficient time and effort to discharge their individual responsibilities with reasonable due care, skills and diligence.

Individual members of the Board are required to inform the Chairman before accepting any new appointments of directorship in other companies and are to communicate the time he/she expects to spend in the new appointment. The Chairman shall also notify the Board before taking up any additional appointment of directorships.

4. Independence of Directors

At least two (2) Directors or one third (1/3) of the board (whichever is higher), shall be independent directors, in accordance with the MMLR.

The appointment and annual independence and objectivity assessment of the independent directors are guided by the *Policy on Independence Assessment of Independent Directors*.

The Board shall assess the independence of Directors on an annual basis or when any new interests or relationships develops. Independent Directors are expected to advise the Board immediately if they believe that they may no longer be independent.

5. Tenure of Independent Director

The tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, the Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board must justify and seek shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

If the Board is to continue to retain the Independent Director for a tenure of more than twelve (12) years, the Board should seek annual shareholders' approval through a two-tier voting process to retain the said Director as an Independent Director.

6. Board Committees

The roles, responsibilities, and authorities of the Board, the Chairman and the Managing Director are detailed in Section 8 and 9 respectively.

To assist the Board in discharging its duties and responsibilities, the Board may from time to time delegate certain responsibilities to Board Committees. These board committees operate under the defined terms of reference as approved by the Board. The chairman of these board committees will report to the Board on the proceedings of the board committees' meeting and matters that require the board's attention. The Board has delegated certain responsibilities to the various Board Committees as follows:

- Audit Committee
- Nominating Committee
- Remuneration Committee
- Employees' Share Option Scheme Committee

7. Directors Remunerations

In consideration of the recommendation from Remuneration Committee, the Board is responsible to determine the level of remuneration of the Directors of the Group in a manner as to promote and support the long-term vision and strategies of the Group. The remuneration of the directors are governed by a formal *Board Remuneration Policy* approved by the Board.

The determination of the remuneration package of Non-Executive Directors should be a matter for the Board.

Directors shall not discuss and decide on his/her own remuneration, fees and benefits-in-kind during relevant committee and board meeting, and directors and his/her persons connected with shall be abstained from voting on his/her remunerations, fees and benefits-in-kind during general meetings.

8. Board Responsibilities

The Board is responsible for the proper stewardship of the Group to provide reasonable assurance for the success of the Group in a sustainable manner. The Board is tasked with the realisation of long term goals and sustainable shareholders' value and safeguarding the interests of stakeholders.

8.1 Roles, Responsibilities and Authorities of the Board

The Board assumes the following duties and responsibilities (but not limited to):

- (a) To review and approve the strategic business plans for the Group as well as monitoring of the implementation by the Management;
- (b) To oversee the conduct and the performance of the Group's businesses;
- (c) To review and manage principal risks affecting the Group through sound framework;

- (d) To review and ensure the senior management team is of sufficient calibre and succession planning for senior management is put in place;
- (e) To review the adequacy and integrity of the Group's internal control systems and management information systems;
- (f) To approve the policies relating to investor relations and shareholder communication programmes;
- (g) To ensure compliance with applicable laws and regulations relevant to the Group's operations;
- (h) To set corporate values and visions as well as clear lines of responsibility and accountability;
- (i) To review the overall corporate governance practices of the Group;
- (j) To establish and maintain the ethical standards through a code of conduct which will be applicable throughout the Group, while ensuring the compliance of this code of conduct;
- (k) To review and approve proposals for the allocation of capital and other resources within the Group;
- (l) To review and approve the capital expenditure budget and annual budget (including major changes to such budgets); and
- (m) To ensure financial statements are prepared in accordance with applicable financial reporting standards.

8.2 Matters Reserved for the Board

- (a) Approval of business new ventures;
- (b) Approval of corporate plans and programmes;
- (c) Approval of annual financial and capital expenditure budgets;
- (d) Approval of annual and interim financial results of the Group and release therefrom;
- (e) Approval of interim dividend and the recommendations for final dividend;
- (f) Approval of the adoption of accounting policies, including any significant changes in Accounting policies and practices;
- (g) reviewing and recommending/approving of material acquisitions and disposals of undertakings/subsidiaries/associate companies and properties not in the ordinary course of business;
- (h) Reviewing and recommending/approving of changes in the major activities of the Group;
- (i) Approval and recommend, if required, for the changes relating to the capital structure, including but not limited to, reduction of capital, share and other securities issues (except under employee share option schemes) and share buy-backs (including the use of treasury shares) (including the terms and conditions of such changes in capital structure); and
- (j) Any matters requiring the convening of a general meeting of shareholders or any class of shareholders.

9. Role of Chairman and Managing Director

The Chairman of the Board shall be appointed by the Board and shall be an independent and non-executive director who is responsible for the governance, orderly conduct and effectiveness of the Board while the Managing Director is responsible to ensure proper execution of strategic goals and effective operations within the Group. The Chairman represents the Board to the shareholders and acts as facilitator at the meetings of the Board and ensures that no board member dominates the discussion, and that appropriate discussions take place and that relevant opinions among Board members are forthcoming.

The followings are the responsibilities of the Chairman of the Board:

- (a) To provide governance in matters requiring corporate justice and integrity;
- (b) To oversee the Board in the effective discharge of its responsibilities;
- (c) To ensure the efficient organisation and conduct of the Board's meetings;
- (d) To ensure that quality information is delivered to Board members on a timely basis to facilitate decision-making;
- (e) To facilitate the effective contribution of all Directors at Board meetings;
- (f) To promote constructive and respectful relations within the Board, and between the Board and Management; and
- (g) To promote effective communication among the Board members, shareholders and relevant stakeholders.

The Managing Director is accountable to the Board for the implementation of the Group strategies and the achievement of the corporate objectives. The Managing Director shall be head of the Management of the Group and answerable to the Board in that manner.

The responsibilities of Managing Director, but not limited to, are as follows:

- (a) To develop corporate strategies for the Group and to implement such corporate strategies;
- (b) To implement other Board's decisions effectively and efficiently;
- (c) To provide leadership in order to achieve the vision, management philosophy and business strategies;
- (d) To ensure the efficiency and effectiveness of the day-to-day operations of the Group in accordance with authorities and delegations authorised by the Board;
- (e) To assess business opportunities which are of potential benefit to the Group and to recommend major business opportunities for the Board's consideration;
- (f) To communicate material and relevant matters to the attention of the Board on a timely and accurate manner for decision making; and
- (g) To discharge the responsibilities delegated by the Board and to execute authorities delegated by the Board, effectively and efficiently.

10. Company Secretary

The appointment or removal of Company Secretaries of the Board shall be the prerogative of the Board. The Company Secretary plays a vital advisory role and assisting the Board and Committees in applying governance practices and ensuring compliance of statutory laws, rules and regulations of the Companies Act 2016, MMLR, the Securities Commission guidelines and other relevant legislation and regulatory authorities.

The Company Secretary of the Group must be qualified and competent with relevant professional qualifications. He/she is responsible in providing sound governance advice, ensuring adherence to rules and procedures, and advocating the adoption of corporate governance in best practices. The Company Secretary shall be the focal point for stakeholders' communication and engagement in corporate governance.

In particular, the Company Secretary is to:

- Manage all Board and committee meetings and facilitate board communications;
- Advise the Board on its roles and responsibilities;
- Advise the Board on corporate disclosures and compliance with company, securities and listing laws;
- Ensure proper upkeep of statutory registers and records;
- Manage shareholder meetings; and
- Keep abreast with corporate governance development and to assist the Board in applying them.

11. Board Activities and Processes

11.1 Board Meetings

The Board shall conduct meetings at least four (4) times a year or more frequently as circumstances dictate. Unless otherwise agreed, reasonable notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Board, normally within one week prior to the meeting. This is to enable the Board members and other attendees as appropriate, to have sufficient time in obtaining a comprehensive understanding on the matters to be deliberated to facilitate constructive and effective discussion during the meeting.

The quorum for Board meetings shall be two (2) members in accordance to Constitution. A duly convened meeting of a Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion vested in or exercisable by the Board.

The Board may invite external parties such as the Management, auditors, solicitors or consultants to brief and clear the Directors' doubt or concern as and when the need arises. External parties invited may attend part or all of the Board Meeting at the discretion of the Board.

11.2 Directors' Training

The Board recognises the importance of continuous education of its members in order for its members to discharge their responsibilities and duties effectively.

The Board shall, through the NC, based on the results of the Board and Member Assessments, continuously assess and determine the training needs of its individual members to ensure that the members of the board receive relevant updates and training to update and enhance their knowledge and skills to effectively discharge their duties and responsibilities and to participate actively in the Board deliberations.

11.3 Board and Member Assessment

The Board has delegated the duty to perform annual assessments of effectiveness of the Board as a whole, individual Directors and Board Committees to the NC. The NC is required to carry out the assessment at least once per financial year, in accordance with the structured assessment process established by the Board and to report the results to the Board for review and discussion.

11.4 Access to Independent Professional Advisers

In discharging the Board's responsibilities, individual directors and the Board collectively are entitled to obtain independent professional advice at the expense of the Company.

Board members have unlimited access to the professional advice and services of the Company Secretary.

11.5 Supply of Information

The directors are supplied with information on a timely basis. The Board Paper and relevant information shall be given to the directors by the Management in such manner and through an appropriate communication medium to allow Board members to have sufficient time to review such Board Papers and relevant information in order to discharge their responsibilities effectively. The Directors may request additional information or clarification from the Management should the need arise. Members of the Board are regularly updated should there be any new statutory and regulatory requirements.

12. Financial Reporting

In preparing the annual financial statements and quarterly announcements to the shareholders, including price-sensitive public reports and reports submitted to the regulators, the Board aims to present a clear and balanced assessment of the Company's financial position and future prospects.

The Board ensures that the financial statements are prepared in accordance with the Companies Act 2016 and applicable accounting standards, so as to give a true and fair view of the state of affairs of the Group and the Company.

13. Access to the Information and Management

Board members are given unrestricted access to the Group's management and to the information pertaining to the Group.

The Directors acknowledge that confidential information may be received in the course of their duty. It shall not be disclosed to any other party unless either the Chairman of the Board has authorised it in writing or disclosure which is required by law.

14. Division of Responsibilities and Delegation of Authorities

All the Board's authorities conferred on the Management are delegated through the Managing Director so that the authority and accountability of the Management is considered to be the authority and accountability of the Managing Director in so far as the Board is concerned. The Board shall review the division of duties, responsibilities and authorities of the Board, the Board Committee, the Chairman and the Managing Director as well as the authorities delegated to the Management on regular basis to ensure that the divisions and delegations are appropriate in term of the size, organisational structure, business environment, business strategies pursued and acceptable risk tolerance.

15. Investor Relations

The Board takes responsibility in presenting a balanced, clear and meaningful report on the Group's financial positions and business prospects to its shareholders, investors and the regulatory authorities via a timely release of quarterly reports, annual reports and regular announcements on material business matters.

The Board had established an investor relations function within the Group whom interested stakeholders can communicate with, and an "Investor Relations" section within the Company's website that provides all relevant information on the Company and is accessible by the public. The "Investor Relations" section enhances the Investor Relations function by including all announcements made by the Company, annual reports as well as the corporate governance structure of the Company.

In ensuring equal and fair access to information, timely announcement and disclosures of the quarterly financial results are made to Bursa Malaysia Securities Berhad.

The Annual Report is another main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are also governed by the MMLR.

The Company's Annual General Meeting is the principal forum for shareholders to engage directly with the Company's Directors. During the general meeting, shareholders are at liberty to raise questions or seek clarification on the agenda items of the general meeting from the Company's Directors.

The corporate disclosure to the stakeholders is regulated by *Corporate Disclosure Policy* established and approved by the Board.

16. Code of Conduct

The Code of Conduct requires Directors to observe high ethical business standards, honesty and integrity. Directors are required to apply these values to all aspects of the Group's businesses and act in good faith in the best interests of the Group and its stakeholders.

16.1 The Directors must:-

- Disclose to the Board (through the Company Secretary and/or Chairman) any actual or potential conflicts of interests which may exist or be thought to exist as soon as they become aware of the issue;
- Take any necessary and reasonable measures to try to resolve the conflict; and
- Comply with the provisions in the relevant laws and regulations on disclosing interests and restrictions on voting.

16.2 If a conflict or potential conflict situation exists, it is required that the conflicted Director shall be absent from the meeting whilst the Board discusses the matter and not vote on the matter, unless the other directors who do not have a material personal interest in the matter have passed a resolution that states that those directors are satisfied that the interest should not disqualify the director from being present.

17. Sustainable Economic, Environment and Social Practices

The Board assumes the ultimate accountability for the integration of Economic, Environmental and Social sustainability management within the Group, including sustainability-related strategy and performance. The Board has put in place formal sustainability framework in relation to the management of Economic, Environmental and Social sustainability matters.

18. Review of The Charter

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