



PDZ HOLDINGS BHD.
(360419-T)

BOARD CHARTER

OVERVIEW

The Board of Directors (“Board”) of PDZ Holdings Bhd. (“the Company”) is committed towards ensuring good corporate governance practices are implemented and maintained throughout the Company and its subsidiaries (“the Group”) as a fundamental part of discharging its duties to enhance shareholders’ values consistent with the principles and best practices set out in the Malaysian Code on Corporate Governance 2017 (“the Code”).

The Board is in charge of leading and managing the Company in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Group are managed. All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

This Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board Members acting on behalf of the Company are aware of their duties and responsibilities as Board Members.

1. COMPOSITION AND BALANCE OF THE BOARD

1.1 Size and Composition

The Group is led and managed by an effective and experienced Board comprising members with a wide range of experience and qualifications. The Board focuses mainly on strategies, financial performance and critical business decisions.

The Constitution of the Company provides for a minimum of two (2) Directors and a maximum of twelve (12) Directors. At any one time, at least two (2) or one-third (1/3), whichever is higher, of the Board members are Independent Directors.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness. At least half of the Board comprises Independent Directors.

1.2 Nomination and Appointments

The members of the Board are appointed in a formal and transparent practice as endorsed by the Code. The Nomination and Remuneration Committee will make recommendations to the Board who will thereon assess the shortlisted candidates and arrive at a decision on the appointment of

the Director. The Company Secretary will ensure that all appointments are properly made and that all legal and regulatory obligations are satisfied and complied.

All Board members shall notify the Chairman of the Board before accepting any new Directorship in other companies. 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.

1.3 Re-election

In accordance with the Company's Constitution, at least one third of the Directors shall retire at the Annual General Meeting ("AGM"), and be eligible for re-election provided that all Directors shall retire at least once in every three (3) years. Directors who are appointed by the Board in the course of the year shall subject to re-election at the next AGM to be held following their appointment.

1.4 Independence

The presence of Independent Non-Executive Directors ensures that views, consideration, judgment and discretion exercised by the Board in decision making remains objective and independent whilst assuring the interest of other parties such as minority shareholders are fully addressed and adequately protected as well as being accorded with due consideration.

1.5 Tenure of Independent Director

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Director is to remain designated as an Independent Director, the Board shall first justify and obtain shareholders' approval on a year to year basis. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process.

1.6 Evaluation of the Directors and the Board's as a whole

The Board recognises the importance of assessing the effectiveness of individual Directors, the Board as a whole and its Committees. The Nomination and Remuneration Committee is given the task to review and evaluate the individual Director's performance and the effectiveness of the Board and the Board's Committees on an annual basis. In assessing suitability of candidates, considerations will be given to the competencies, commitment, contribution and performance.

The Nomination and Remuneration Committee is required to report annually to the Board an assessment of the Board's and its Committees' performance. This will be discussed with the full Board. Every year, the Nomination and Remuneration Committee will evaluate each individual Director's contributions to the effectiveness of the Board and the relevant Board Committees.

2. ROLES AND RESPONSIBILITIES

2.1 Board Responsibilities

The Executive Directors/Chief Executive Officer have the responsibility to manage the day-to-day operations of the business, implementation of Board policies and making strategic decisions for the expansion of the business. The Non-Executive Directors contribute their expertise and experiences to give independent judgment to the Board on issues of strategy, performance and resources, including major policies, key directions and standards of conduct.

The stewardship responsibilities and duties of the Board focuses principally on strategies, financial performance and critical business decisions that may include the following:-

- i. Overseeing and evaluating the conduct and sustainability of the businesses of the Group.
- ii. Reviewing and adopting the overall strategic direction, business plans, annual budgets of the Group, including major capital commitments.
- iii. Establishing key performance indicators and succession plan.
- iv. Reviewing and approving of new ventures, major acquisitions and disposal of undertakings and properties.
- v. Identifying principal risks and ensuring implementation of appropriate systems to manage these risks.
- vi. Reviewing the adequacy and integrity of the Group's internal control systems and management information systems.
- vii. Overseeing the development and implementation of the shareholder communications policy for the Company.

Key matters reserved for Board's decision include, inter alia, the following:-

- i. Changes to the organisation structure within the Group, including key policies and procedures and discretionary authority limits.
- ii. Approval of business strategy and Group's operational plan and annual budget.
- iii. Approval of quarterly and annual financial statements for announcement.
- iv. Succession planning of Executive Directors and/or Chief Executive Officers of the Group.
- v. Major acquisition and disposal of assets of the Company or its subsidiaries.
- vi. Approval of investment or divestment of business, property and undertaking within the Group.

- vii. Approval of any interim dividend, recommendation of the final dividend.
- viii. Corporate proposal on fund raising.
- ix. Any other significant business direction.

The Directors are required to declare their direct and indirect interests in the Company and related companies. The Directors are also responsible to declare whether they and/or any person(s) connected to them have any potential conflict of interest in any transaction and/or in any contract with the Company and/or any of its related companies. Any Director who has an interest in any related party transaction shall abstain from the Board deliberation and voting and shall ensure that he or she and person(s) connected to him or her will abstain from voting on the related resolution.

2.2 Accountability and Audit

i. Financial Reporting

The Board has overall responsibility for the quality and completeness of the financial statements of the Company and the Group, both quarterly and year-end, and has a duty to ensure that those financial statements are prepared based on appropriate and consistently applied accounting policies, supported by reasonably prudent judgment and estimates and in accordance to the applicable financial reporting standards.

The Audit Committee plays a crucial role in assisting the Board to scrutinize the information for disclosure to shareholders to ensure material accuracy, adequacy and timeliness.

ii. Internal Control and Risk Management

The Board affirms its overall responsibility for the Group's systems of internal controls, risk management and reviewing the adequacy and integrity of these systems.

Risk management forms an integral part of the Group's business operations. The process of identifying, evaluating, monitoring and managing significant risks is embedded in the various work processes and procedures of the respective operational functions and management team. Any significant issues and controls implemented were discussed at the regular operations and management meetings.

Management is responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed, and for providing assurance to the board that the processes have been carried out.

The Audit Committee has been entrusted by the Board to ensure effectiveness of the Group's internal control systems. The activities of the outsourced Internal Auditors are reported regularly to the Audit Committee which provides the Board with the required assurance in relation to the adequacy and integrity of the Group's system of internal controls.

Recognizing that the internal control system must continuously improve to meet the challenging business environment, the Board will continue to take appropriate action plans to strengthen the Group's internal control system

iii. Limits of Authority

The responsibilities and authority limits of the Board, Executive Directors and other Senior Management staff of the Group are clearly defined to achieve an effective check and balance, promote accountability, transparency, responsibility, operational efficiency and good corporate governance. The responsibilities and authority limits are formally documented in the Standard Operating Procedures of Finance Department.

iv. Relationship with Auditors

The Group has established a transparent and appropriate relationship with the Internal Auditors and External auditors. Such relationship allows the Group to seek professional advice on matters relating to compliance and corporate governance. The internal audit function of the Group is outsourced to third party. Similar to the External Auditors, Internal Auditors too have direct reporting access to the Audit Committee to ensure that issues highlighted are addressed independently, objectively and impartially without any undue influence of the management.

The Company has put in place an Assessment Policy together with a formal annual performance evaluation of the Internal and External Auditors by the Audit Committee. The objective of the Internal and External Auditors Assessment Policy is to outline the guidelines and procedures for the Audit Committee to review, assess and monitor the performance, suitability, objectivity and independence of the Internal and External Auditors respectively.

2.3 Responsibilities of the Chairman and Executive Directors/Chief Executive Officer

The Board ensures that the Chairman is a non-executive member of the Board. There is a clear division of responsibility between Executive Directors/Chief Executive Officer and the Chairman in order to provide for balance of power and authority. The former leads the management of the Company and has overall responsibility for the operating units and the implementation of the Board's policies and decisions, whilst the latter is responsible for the orderly conduct and effectiveness of the Board in addition to facilitate constructive deliberation of matters in hand.

The responsibilities of the Chairman, amongst others, are as follows:

- i. To provide leadership to the Board.
- ii. To oversee the effective discharge of the Board's supervisory role.
- iii. To facilitate the effective contribution of all Directors.
- iv. To ensure that quality information to facilitate decision-making is delivered to the Board on timely manner.
- v. To ensure Board Meetings and General Meetings are in compliance with good conduct and best practices.
- vi. To promote constructive and respectful relations between Board members and between the Board and the Management.

- vii. To conduct and chair Board Meetings and General Meetings of the Company.
- viii. To represent the Company and/or Group, together with the Executive Directors/Chief Executive Officer, to external groups such as shareholders, creditors, consumer groups, local communities and federal, state, and local governments.
- ix. To manage Board communications and Board effectiveness and effective supervision over Management.

The responsibilities of the Executive Directors/Chief Executive Officer, amongst others, are as follows:

- i. To develop and implement strategic business direction, plans and policies of the Group.
- ii. To ensure the efficiency and effectiveness of the Group's operations.
- iii. To supervise heads of divisions and departments who are responsible for all functions contributing to the success of the Group.
- iv. To oversee the day-to-day management of the Group with all powers, discretions and delegations authorised, from time to time, by the Board.
- v. To assess business opportunities which are of potential benefit to the Group.
- vi. To bring material matters to the attention of the Board in an accurate and timely manner.

2.4 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 following Committees to assist in the execution of its responsibilities.

- i. Audit Committee;
- ii. Nomination and Remuneration Committee.
- iii. Risk Management Committee.

The Committees shall operate under clearly defined Terms of Reference. The Committees are authorized by the Board to deal with and to deliberate on matters delegated to them within their terms of reference.

2.5 Company Secretary

The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.

The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company.

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board recognises the fact that the Company Secretary should be suitably qualified and capable of carrying out the duties required.

All Board Members, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business.

3. BOARD PROCESSES

3.1 Board Meetings

The Board meets at least four (4) times a year, with additional meetings to be convened whenever necessary. The Directors receive notices of meetings, typically at least seven (7) days prior to the date of the meeting, highlighting the agenda complete with a full set of Board Papers to provide sufficient details of matters to be deliberated during the meeting. Information provided is not confined to financial data but also other non-financial information, both quantitative and qualitative, which are deemed to be critical in arriving at a sound and informed decision.

Minutes of Board meetings together with decisions made by way of resolution passed are duly recorded and properly kept by the Company Secretary.

3.2 Directors' Training

In addition to the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad, the Directors are encouraged to attend relevant seminars and training programmes to equip themselves with the knowledge to effectively discharge their duties as Directors. The Board will assess the training needs of the Directors and ensure Directors have access to continuing education programme. The Board shall disclose in the Annual Report the trainings attended by the Directors.

3.3 Directors' Remuneration

The Board through Nomination and Remuneration Committee established formal and transparent remuneration policies and procedures to attract and retain Directors.

The Board will determine the level of remuneration of Board Members, taking into consideration the recommendations of the Nomination and Remuneration Committee for executive Board Members and/or the Executive Directors/Chief Executive Officer.

Non-executive Board Members will be paid a basic fee as ordinary remuneration. The fee shall be fixed in sum and not by a commission on or percentage of profits or turnover.

3.4 Access to Information and Independent Advice

The Directors have unrestricted access to the advice and services of the Company Secretary and Senior Management staff in the Group. The Directors also have access to the Internal and External Auditors of the Group, without Management present to seek explanations or additional information.

The Directors, collectively or individually, may seek independent professional advice and information in the furtherance of their duties at the Company's expense, so as to ensure the Directors are able to make independent and informed decisions.

3.5 Investor Relations and Shareholder Communication

The Board values the importance of timely and equal dissemination of information on major developments of the Group to the shareholders, potential investors and the general public. Quarterly results, announcements, analyst briefings, annual reports and circulars serve as primary means of dissemination of information so that the shareholders are constantly kept abreast on the Group's progress and developments. The Company's corporate website serves as one of the most convenient ways for shareholders and members of the public to gain access to corporate information, news and events relating to the Group.

The Board will ensure that the General Meetings of the Company are conducted in an efficient manner and serve as a mode in shareholders communications. These include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the General Meetings.

The Annual General Meeting remains as a principal forum used by the Company for communication with its shareholders. During the annual general meeting, shareholders are accorded time and opportunities to query the Board on the resolutions being proposed and also matters relating to the performance, developments and directions of the Group. Shareholders are also invited to convey and share their inputs with the Board.

4. CODE OF ETHICS AND CONDUCT

The Code of Ethics and Conduct is to be observed by all Directors and employees of the Group and the core areas of conduct include the following:-

- i. Compliance at all times with the Code of Ethics and Conduct and the Board Charter.
- ii. Not misuse information gained in the course of duties for personal gain or for political purposes.
- iii. Uphold accountability and act in good faith and in the best interests of the Company and the Group.
- iv. Observe high standards of corporate governance at all times.
- v. Adhere to the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership, including fair dealing and the ethical handling of conflicts of interest.
- vi. Ensure the protection of the Company's legitimate business interests, including corporate opportunities, assets and confidential information.
- vii. Ensure full, fair, accurate, timely and understandable disclosure.

- viii. Declaration of any personal, professional or business interests that may conflict with responsibilities.

The Board will review the Code of Ethics and Conduct regularly to ensure that it continues to remain relevant and appropriate.

5. REVIEW OF THE BOARD CHARTER

The Board will review this Charter from time to time and make any necessary amendments to ensure they remain consistent with the Board's objectives, current law and practices. The Board Charter is made available for reference in the Company's website.

This Board Charter is reviewed and updated on 26 January 2018.