



**ENCORP BERHAD
BOARD CHARTER**

BOARD CHARTER

1. Introduction

The Board of Directors (“the Board”) of Encorp Berhad (“the Company”) reaffirms its commitment to and supports the recommendations of the Malaysian Code on Corporate Governance (“the Code”) and the Main Market Listing Requirements (“MMLR”). The Board strives to ensure that the highest standards of corporate governance are practised to protect and enhance shareholders’ value.

The Board derives its authority to act from the Constitution of the Company (“Constitution”) and the law and regulations governing companies in Malaysia.

The Board is the ultimate decision making body.

2. Roles and Responsibilities of the Board

The Board is charged with leading and managing the Company in an effective and responsible manner and is collectively responsible for meeting the objectives and goals of the Company. Each Director has a legal duty to act in good faith and in the best interest of the Company exercising due care and diligence avoiding conflict of interest wherever possible. Directors are to refrain from making improper use of information, property or opportunity gained through the position of Director or engaging in business which is in competition with the Company. The Directors, collectively and individually, are aware of their responsibilities to the shareholders and stakeholders for the manner in which the affairs of the Company are managed.

The Board has the following principal responsibilities, which facilitate the discharge of the Board’s stewardship in the pursuit of the best interest of the Company:

- Setting, reviewing and approving the business plan and overall strategic plan of the Company that supports long term value creation which includes strategies on environmental, economic, social considerations which underpins sustainability for the Company;
- Review, challenge and decide on management’s proposals for the Company and monitor its implementation by management;
- Overseeing the conduct of the Company’s business to evaluate whether the business is being properly managed;
- Together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behavior;
- Identifying principal financial and non-financial risks and ensuring the implementation of appropriate risk management framework to identify, analyse, evaluate, manage and monitor these risks and to set the risk appetite;
- Ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and senior management;
- Developing and implementing an investor relations programme or shareholders’ communications policy for the Company;

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- Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- Ensuring that the Company has appropriate corporate governance structures in place including standards of ethical, prudent and professional behaviour and working with senior management in promoting a culture of good corporate governance and corporate responsibility.

3. Matters Reserved for the Board

The Board established clear functions reserved for the Board and those delegated to management. The Limits of Authority of the Company specify the parameters within which the management decisions are to be made whilst the matters which are specifically reserved for the Board include, amongst others, the following:

- Appointment of directors to fill a vacancy or as additional directors;
- Approval of business strategies, group operation plans, policies and annual budgets;
- Approval of the Limits of Authority of the Company;
- Approval of major capital expenditure, acquisitions, divestitures and such other matters in excess of the authority limits delegated to the management;
- Approval of changes in the Company's structure;
- Approval of interim dividend and recommendation of final dividend for shareholders' approval;
- Approval of interim and annual financial statements; and
- Calling for meetings of shareholders.

4. The Board

4.1 Composition

The number of Directors shall not be less than two (2) nor more than twelve (12) as set out in the Constitution of the Company.

The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives.

At least half of the Board members must be Independent Directors.

The Company is discouraged from appointing an active politician as a director on its board. A person is considered an "active politician" if he is a Member of Parliament, State Assemblyman or holds a position at the Supreme Council or division level in a political party.

The Board shall comprise at least one (1) women director to provide the Board with gender diversity.

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4.2 Appointment

The Constitution of the Company governs the regulations and proceedings of the Board. The Board, together with the Nominating and Remuneration Committee, determine the size and composition of the Board subject to the terms of the Constitution of the Company and in keeping with the recommendations of the Code.

On the appointment of a new Director, the new Director is required to commit sufficient time to attend to the Company's matters before accepting his appointment to the Board.

Directors are required to notify the Chairman before accepting any new Directorship outside the Group so long as the appointment is not in conflict with the business of the Company and Group and to indicate the time expected to be spent on the new appointment.

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

4.3 Re-Election and Re-Appointment of Directors

In accordance with the Constitution of the Company, one-third (1/3) of the Directors are required to retire from office at each Annual General Meeting ("AGM") and all Directors shall retire from office at least once in every three (3) years. Retiring Directors can offer themselves for re-election.

4.4 Independence

A Director will be considered independent if he is free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his independent judgement.

The tenure of an Independent Director shall not exceed a cumulative term of twelve (12) years from the date of his/her first appointment as stipulated under the MMLR.

However, if the Boards intend to retain an Independent Director beyond nine (9) years, the Board must justify and seek annual shareholder's approval through a two-tier voting process as stipulated in the Code.

Otherwise, an independent director may continue to serve on the Board as a non-independent director.

The Board undertakes an assessment of its Independent Directors annually and when any new interest or relationship develops.

4.5 Code of Conduct and Ethics

The Encorp Code of Conduct and Ethics is to be observed by all Directors when they represent Encorp Group.

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The Encorp Code of Conduct and Ethics deals with compliance in the following areas of conduct:

- Observe high standards of corporate governance at all times;
- Act in good faith and in the best interests of the Company and Group.
- Inside information and securities trading;
- Compliance with Laws, Regulations and Ethical Standards;
- Conflicts of Interest;
- Accounting records;
- Retention of records;
- Dealing with auditors; and
- Whistleblowing policy.

4.6 Company Secretary

The Company Secretary plays an important role in supporting the Board by ensuring adherence to Board policies and procedures. The Board shall appoint a suitably qualified and competent Company Secretary who can support the Board in carrying out its roles and responsibilities. The Company Secretary's responsibilities shall include:

- (a) managing all board and committee meetings logistics, attend and record minutes of all board and committee meetings and facilitate Board communications;
- (b) advising the Board on its roles and responsibilities;
- (c) facilitate the orientation of new directors and assist in director training and development
- (d) updating and advising the Board on corporate disclosures and compliance with the Main Market Listing Requirements, company and securities legislations, and related regulations;
- (e) manage processes pertaining to the annual shareholder meeting;
- (f) monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;
- (g) serve as a focal point for stakeholders' communication and engagement on corporate governance issues; and
- (g) carrying out other functions as deemed appropriate by the Board from time to time.

4.7 Board Committees

The Board is currently supported by the following two (2) Board Committees which operates within its own specific terms of reference:-

- (a) Audit, Risk and Governance Committee
- (b) Nominating and Remuneration Committee

The Risk Management Committee comprises the heads of departments and Group's senior management. The Risk Management Committee reports to Audit, Risk and Governance Committee on quarterly basis.

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The Board Committees undertake in-depth deliberation of the issues at hand before the Chairman of the respective Board Committees reports and/or tables its recommendations to the Board.

Each Committee has an obligation to report on its meetings to the Board and minutes of all Committee Meetings are made available to all Directors.

The Board may also delegate specific functions to ad hoc Committees as and when required.

4.8 Chairman and Group Chief Executive Officer

The Company aims to ensure a balance of power and authority between the Chairman and the Group Chief Executive Officer (“Group CEO”) with a clear division of responsibility between the running of the Board and the Company’s business respectively.

The roles of the Chairman and the Group CEO are distinct, clearly defined and held by two (2) different persons. The Chairman is amongst others, responsible for ensuring Board effectiveness and to facilitate effective Board decision making and leading the Board in the collective oversight of management, whilst the Group CEO has overall responsibility to manage the operations, organization effectiveness and implementation of policies and decision.

(a) Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role, co-ordinates the work of the Board and its committees and ensures that the Board members are provided with timely information relevant for performing their duties and responsibilities.

Roles and Responsibilities of Chairman

The Chairman undertakes, amongst others, the following responsibilities:

- Leading the Board in setting the values and standards of the Company;
- Ensure that guidelines and procedures are in place to govern the Board’s operation and conduct;
- Monitor the workings of the Board, especially the conduct of Board meetings;
- Ensure that all relevant issues for the effective running of the Group’s business are on the agenda for Board meetings;
- Ensure quality information to facilitate decision-making is delivered to the Board members on a timely basis;
- Encourage all directors to play an active role in Board activities;
- Chair general meetings of shareholders;
- Liaise with Group CEO and Company Secretary on the agenda for Board meetings; and
- Ensure that proper steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.

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The Chairman also acts as facilitator for meetings to ensure:

- Adequacy of notice of Board meetings;
- Adequacy of information for Board meetings;
- No member dominates the discussion;
- Full discussion takes place and allows dissenting views to be freely expressed;
- The variety of opinion among Board members is drawn out; and
- Endeavours to obtain consensus in the Board but may, when he feels necessary, call for a vote.

(b) Group CEO

The Group CEO is the conduit between the Board and the Management in ensuring the success of the Company's governance and management functions.

The Group CEO is responsible for the effective implementation of the Company's strategic plan as well as the day-to-day management of Encorp Group with all powers, discretions and delegations authorised, from time to time, by the Board.

Roles and Responsibilities of Group CEO

The Group CEO reports to the Board on the following:

- All matters that materially affect the Company and its performance;
- Summary reports on the performance and activities of the Company and specific proposals (if any);
- Any underperforming businesses/activities of the Company and outline proposals to rectify the situation;
- All material matters that affect or could affect shareholders and the markets in which the shareholders' interests are traded;
- The effectiveness of the organization and its management against relevant benchmarks including observance of the management's limits of authority; and
- Review of succession planning for the Company, and ensure the systems thereof are in place for developing management talents.

(c) Senior Independent Director

The roles and responsibilities of the Senior Independent Director shall include the following:

- Act as a sounding Board for the Chairman;
- Serves as the principal conduit between Independent Directors and the Chairman on sensitive issues; and
- Be the point of contact for shareholders and other stakeholders for areas that cannot be resolved through the normal channels of contact with the Chairman or Managing Director.

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4.9 Directors' Training and Continuing Education Programmes

The Board shall facilitate the induction and education programme for newly appointed Directors, which shall include the following:

- (a) time with other officers of the Company (in particular the Chairman, the Company Secretary and if the Independent Director is a functional specialist, his or her counterpart);
- (b) furnishing a copy of the minutes of previous Board meetings held during the last two (2) quarters prior to the appointment, the business/ strategic plan, pertinent management reports, profile of key competitors and significant reports by consultants on areas of Board responsibilities;
- (c) visits to key sites (including overseas locations if such business units are integral and significant to the Company); and
- (d) an induction programme focusing on the above key elements and also presentations from various divisions within the Company on their strengths, weaknesses and aspirations.

The Board constantly participates in training programmes, seminars and conferences to keep themselves abreast with changes and new developments, both in the legal and commercial aspects to enable them to effectively discharge their duties.

The Board through the Nominating and Remuneration Committee will assess the training needs of the Directors annually, and ensure Directors have access to continuing education programmes to enable them to effectively discharge their duties and sustain active participation in the Board's deliberation.

The costs of the induction or continuing education programmes shall be borne by the Company.

5.0 Process and Procedure for Board Meetings

5.1 Meetings

The Board holds at least four (4) regular meetings per year. Additional meetings may be scheduled if necessary to discuss and resolve on urgent basis. Meetings are called with sufficient notice period. Participation via telephone is permitted. Directors are expected to attend all Board and Committee meetings on which they serve. Board members are also expected to spend the time needed to discharge their responsibilities appropriately. Members of the Management team who are not Directors may be invited to attend and speak at meetings on matters relating to their respective areas of responsibilities.

Unless varied by the terms of reference, meetings and proceedings of the Board will be governed by the Constitution of the Company.

The Board may invite external parties such as auditors (both internal and/or external auditors), solicitors or consultants as and when the need arises. Such invited parties may attend part or all of the Board meeting at the discretion of the Board.

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5.2 Notice of Meeting, Agenda and Board Papers

The Company Secretary prepares the notice of meeting and agenda for each meeting. The Company generally adopts the Constitution of the Company for disseminating notice of meeting and agenda. The appropriate preparatory Board papers are sent to the Board members at least five (5) business days in advance of the meetings to allow adequate meeting preparation.

Minutes of all Board meetings are properly recorded in substantial detail and length, including issues discussed in arriving at decisions and the minutes shall be reviewed and approved by the members of the Board.

6.0 Directors' Remuneration

Directors who are shareholders should abstain from voting at general meetings to approve their fees.

6.1 Salary for Executive Directors

The Nominating and Remuneration Committee recommends the remuneration package for the Executive Directors to the Board for approval. The Executive Directors abstain from deliberation and voting on decisions in respect of their own remuneration.

6.2 Fees for Non-Executive Directors

Non-Executive Directors are paid yearly fees as recommended by the Nominating and Remuneration Committee to the Board for shareholders' approval at the AGM.

6.3 Meeting Allowances for Non-Executive Directors

Attendance allowances are also paid to the Non-Executive Directors for each Board or Committee meeting they attend.

6.4 Other Benefits for Directors

Benefits payable to the Directors as recommended by the Nominating and Remuneration Committee to the Board (if any) shall be approved by the shareholders at a general meeting.

7.0 Relationship with Management

All Directors are provided with the necessary information relating to the business, operations and financial matters of the Company and the Group.

The Board will link the Company's governance and management functions through the Chairman with the Group CEO. All Board authority conferred on Management is delegated through the Group CEO so that the authority and accountability of Management is considered to be the authority and accountability of the Group CEO so far as the Board is concerned.

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All Directors have full and unrestricted access to the Management within the Group and are entitled to the advice and services of the Company Secretary. Further, Directors may obtain independent professional advice relating to the affairs of the Group where necessary at the Company's expense, in order for them to discharge their responsibilities. Independent advice sought shall exclude those of personal interests relating to the Director's personal disputes in matters that are not related to or affect the Board or the Company as a whole.

8.0 Board and Member Assessment

The Nominating and Remuneration Committee is given the responsibility to review annually the activities and effectiveness of the Board as a whole, Board Committees and the Board Members individually. The Chairman of the Nominating and Remuneration Committee oversees the overall evaluation process. The assessment report will be discussed with the full Board.

The Nominating and Remuneration Committee is also required to undertake an assessment of the Company's Independent Directors annually. The said assessment report will be discussed with the full Board.

The Nominating and Remuneration Committee is also responsible to review the term of office and performance of the Audit and Risk Committee and each of its members annually. The said assessment report will be discussed with the full Board.

The performance of the Group CEO are assessed based on the KPIs approved by the Board.

9.0 Communication between Board and Shareholders

The Board recognises the importance of effective communication with shareholders, investors and the public in general. In this respect, the Board keeps shareholders, investors and the public informed through announcements, releases of quarterly financial results, annual reports, circulars and general meetings leveraging on information technology for effective dissemination of information.

Shareholders' communication policy was implemented to handle the process of handling queries from its shareholders.

Whilst the Company's website provides easy access to corporate information, the AGM is the principal forum for communication with shareholders. The notices of the AGM and annual reports are sent to shareholders at least twenty-eight (28) days before the AGM.

10.0 Risk Management Framework

The Board is fully responsible for the total process of risk management and the maintenance of an adequate and effective system of internal control.

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The Board shall set the level of risk tolerance for the Group's business to reflect the long-term corporate strategies of the Group. The risk tolerance levels determined by the Board shall be embedded into the Company's risk culture which serves as a guide in the decision-making processes for both strategic and operational matters.

Risk Management within the Company allows for risks and potential risks to be identified, measured and treated in the context of the Company's risk culture. Risk Management shall be applied consistently throughout the Company.

The Board shall establish a sound risk management and internal controls systems that articulates, implements and monitors key business risks to safeguard the shareholders and Company's interests.

The Board shall periodically review the risk positioning of the Company and ensure it lies within the range of risk tolerance levels determined by the Board as well as to ensure that any weaknesses in internal controls that might affect the Company's operations are dealt with. Risk management should be included into the meeting agenda of the Board as a standing item for the Board to deliberate on key risks which could have substantial impact on the sustainable performance or development of the Company.

11.0 Review of Board Charter

The Board will periodically review this Charter to ensure that it remains consistent with the Board's objectives and any new regulations that may have an impact on the discharge of the Board's responsibilities.

The Board Charter is made available for reference in the Company's website.

The Board Charter was last reviewed by the Board on 17 January 2023.