

EDUSPEC HOLDINGS BERHAD
(Company No.: 646756-X)

BOARD CHARTER 2016

1. INTRODUCTION

The Board of Directors (“the Board”) supports the Principle 1 of the Recommendation 1.7 “*The board should formalise, periodically review and make public its board charter*” as laid out in the Malaysian Code on Corporate Governance 2012 (“the Code”). The Board is responsible for stewardship of the Company and has constituted the Board Charter that form an integral part of each Director’s duties and responsibilities.

2. THE BOARD OF DIRECTORS

2.1 Board Composition and Board Balance

The Board should be well balanced with qualified individuals with diverse experience, character, integrity, competence and time to effectively discharge their responsibilities and duties legally under the various laws, regulations and rules as company director.

The Board is committed to ensure good governance practices as recommended under the Code by:-

- (a) The number of directors shall not be less than two (2) and not more than fifteen (15), as stipulated in the Company’s Articles of Association, and at any time, at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors, in compliance with the ACE Market Listing Requirements of Bursa Malaysia (“the LR”) Rule 15.02 Independent Directors.

Rule 1.01 of the LR provides the definition of Independent Directors as a director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. Without limiting the generality of the foregoing, an independent director is one who: -

- i. Is not an executive director of the Company or any related corporation of the Company.
- ii. Has not been within the last 2 years and is not an officer (except as a non-executive director) of the Company. For this purpose, “officer” has the meaning given in section 4 of the Companies Act 1965.
- iii. Is not a major shareholder of the Company.
- iv. Is not a family member of any executive director, officer or major shareholder of the Company.
- v. Is not acting as a nominee or representative of any executive director or major shareholder of the Company.
- vi. Has not been engaged as an adviser by the Company under such circumstances as prescribed by Bursa or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company under such circumstances as prescribed by Bursa.
- vii. Has not engaged in any transaction with the Company under such circumstances as prescribed by Bursa or is not presently a partner, director or major shareholder, as the case

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may be, of a firm or corporation (other than subsidiaries of the Company) which has engaged in any transaction with the Company under such circumstances as prescribed by Bursa.

- (b) The appointment of directors shall be recommended by the Nomination Committee and approved by the Board. Upon appointment, each director shall be provided with a formal letter setting out the director's duties, obligations, expected commitment, remuneration package and other entitlement. The letter shall signed by the Chief Executive Officer (“the CEO”) on behalf of the Company.
- (c) The Board may appoint a senior independent non-executive director to whom shareholders’ concerns can be conveyed if there are reasons that contact through the normal channels of the chairman or the CEO have failed to resolve them.
- (d) The Board shall appoint the senior independent director as the chairman of the Nomination Committee, unless a better candidate is available.
- (e) The Code’s Recommendation 3.4 states that the positions of the chairman and the CEO should be held by different individuals, and the chairman must be a non-executive member of the Board.
- (f) The Code’s Recommendation 1.5 states that the Board should have procedures to allow its members access to information and advice. The Management should supply accurate and complete information to the Board in a timely manner to enable the Board to discharge its duties effectively. Occasions may arise when the Board has to seek legal, financial, governance or expert advice in the course of their duties. The Board should be able to consult advisers and, when considered necessary, to seek independent professional advice. The Board should be entitled to do so at the Company’s expense through an agreed procedure.
- (g) The Company currently does not have a gender diversity policy, although recommended by the Code. The Board welcomes suitably and qualified female Director to come on the Board subject to the evaluation and assessment by the Nomination and Remuneration Committee following the criteria set by the Code and the LR.

2.2 Directors Nomination

Every listed corporation, management company or trustee-manager must ensure that each of its directors, chief executive or chief financial officer has the character, experience, integrity, competence and time to effectively discharge his role as a director, chief executive or chief financial officer, as the case may be, of the listed corporation, or the collective investment scheme.

All nominations of candidates for the positions of directors and CEO must be submitted to the Nomination Committee for consideration. The Nomination Committee shall base on the guidelines as detailed hereunder before recommending the candidates to the Board for approval:-

- (a) Age limit.
- (b) In accordance with the LR, Companies Act, 1965 and any other regulatory compliances.
- (c) Work Experience.
- (d) Qualifications.

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- (e) Personal Background.
- (f) Competencies.
- (g) Directorship.

2.3 Tenure of Directors

Articles 85 of the Articles of Association of the Company provides that every newly appointed Director shall be subjected to re-election at the Company's next Annual General Meeting ("AGM") subsequent to their appointment. Furthermore, one third (1/3) of the Board (including the Managing Director) shall retire from office and be eligible for re-election at every AGM, and all Directors shall submit themselves for re-election once at least every three (3) years.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are or over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the conclusion of the next AGM.

The Code's Recommendation 3.2 states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director.

An independent director may be retained as an Independent Director after a cumulative term of nine (9) years, subject to:-

- (a) An assessment and recommendation of the Nomination Committee.
- (b) The Board recommends with strong justification for shareholders' approval in a general meeting.

2.4 External Board Appointments

Any Board member, whilst holding in office, is at liberty to accept other board appointments so long as the appointment is not in conflict with the business of the Company and does not detrimentally affect the Director's performance as a Board member. All such appointments must first be notified to the Chairman before being accepted. The notification should include an indication of time that will be spent on the new appointment.

3. ROLES AND RESPONSIBILITIES

3.1 Roles and Responsibilities of the Board

The Board shall lead and manage the Company in an effective and responsible manner and all the Directors have an equal responsibility for the Group's operations and corporate accountability.

The Board shall have all powers necessary for managing and for directing and supervising the management of the business and affairs of the Company subject to the limitation of the Companies Act,

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1965 (amendments 2007) (“the CA 1965”) or the Memorandum and Articles of Association of the Company.

- Section 131B (1) of the CA 1965 states that the business and affairs of a company must be managed by or under the direction of the board of directors.
- Section 131B (2) of the CA 1965 states that the board of directors has all the powers necessary for managing and directing and supervising the management of the business and affairs of the company.

The Board recognizes the following specific roles and responsibilities:-

- (a) Establishing and reviewing the strategic direction and plans of the Company.
- (b) Monitoring the implementation of strategic plans by Management.
- (c) Timely review and approve all quarterly and annually financial statements for declaration to the Bursa and stakeholders. The Audit Committee reviews and recommends the financial statements prior to presentation to the Board.
- (d) Overseeing and evaluating the conduct of the businesses of the Company.
- (e) Evaluate performance of the Management in accordance pre-determined set of performance measurement.
- (f) Identifying and evaluating business risks and ensure implementation of a managed sound risk management framework.
- (g) Reviewing the adequacy and integrity of the internal control system and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- (h) To review and oversee the appointment, resignation or termination of Directors, Company Secretaries, Auditors and key management are properly carried out and documented.
- (i) Ensure establishment of succession plans for the Board members and senior management.
- (j) Ensure the Board is supported by at least a suitably qualified and competent Company Secretary to whom shall have advice on compliance with applicable laws and any amendment to the laws and regulations related to the listing.
- (k) Formalize ethical standards of conduct through a Code of Conduct for Directors and Management and ensure compliance.
- (l) Developing and implementing an investors’ relations programme, a shareholders or stakeholders communication policy and ensure the Company’s strategies to promote sustainability.

3.2 Roles and Responsibilities of the Chairman of the Board

Articles 104 of the Articles of Association of the Company provides that a Chairman shall be appointed from amongst the Board members to head the orderly conduct and function of the Board. The Chairman shall serves the roles and responsibilities include: -

- (a) Leading the Board in achieving corporate objectives and long term success of the Company.
- (b) Review contributions made by Board members, whilst the Nomination Committee is given the task to review effectiveness in terms of performance, and come out with criteria on independence assessment.

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- (c) Facilitating effective and productive working relationships between the Executive Directors and Non-Executive Directors.
- (d) Ensuring an effective communication with shareholders and stakeholders, in particular, at the annual general meeting which represents the principal forum for dialogue and interaction with shareholders.
- (e) The Chairman, in consultation with the Company Secretary, sets the agenda for the Board meetings and ensures that all relevant issues are on the agenda.
- (f) The Chairman is responsible for managing the business of the Board to ensure that:-
 - i. All Directors are properly briefed on issues arising at Board meetings.
 - ii. Sufficient time is allowed for the discussion of complex or contentious issues and where appropriate, arranging for informal meeting to enable thorough discussion by the Board.
- (g) At Board meetings, the Chairman plays a mediator's role to maintain the order of the proceedings in a constructive, productive and effective manner.
- (h) The Chairman will have no casting vote if two (2) Directors form a quorum, or if there are only two (2) Directors competent to vote on the question at issue.

3.3 Roles and Responsibilities of the Chief Executive Officer

The CEO has overall executive responsibility for day-to-day business operations and the implementation of the Board's policies, corporate objectives, performance targets and long-term goals and making operational decisions.

The CEO is responsible for ensuring the provision of accurate, timely and clear information relating to business and financials to the Board of Directors. All Board authorities conferred on the Management is delegated through the CEO and this will be considered the Managing Director's authority and accountability as far as the Board is concerned.

3.4 Roles and Responsibilities of the Independent Non-Executive Directors

The Independent Non-Executive Directors shall provide independent judgment and objectivity and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. The Independent Non-Executive Directors help to ensure that the interests of all shareholders and not only the interests of a particular group and that all relevant matters and issues are objectively and impartially considered by the Board.

The Independent Non-Executive Director, amongst others, shall serves the roles and responsibilities include:-

- (a) Provide independent judgment and participate actively in meetings, giving independent views in a constructive manner and bringing an element of objectivity to the Board's decision making.
- (b) Provide a check and balance to the Board.

3.5 Roles and Responsibilities of the Senior Independent Non-Executive Director

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The Senior Independent Non-Executive Director shall serves the roles and responsibilities include: -

- (a) Ensure all Independent Non-Executive Directors have an opportunity to provide input on the agenda and advise the Chairman on the quality, quantity and timeliness of the information submitted by the Management that is necessary or appropriate for the Independent Non-Executive Directors to perform their duties effectively.
- (b) Consult the Chairman regarding Board meeting schedules to ensure the Independent Non-Executive Directors can perform their duties responsibly and with sufficient time for discussion of all agenda items.
- (c) Serve as the principal conduct between the Independent Non-Executive Directors and the Chairman on sensitive issues.
- (d) Serve as a designated contact for consultation and direct communication with shareholders on areas that cannot be resolved through the normal channels of contact with the Chairman and the CEO.

3.6 Roles and Responsibilities of the Non-Independent Non-Executive Directors

The Non-Executive Directors shall serves the roles and responsibilities include: -

- (a) Provide relevant checks and balances, focusing on shareholders and stakeholders interests and ensure that high standards of corporate governance are applied.
- (b) Assist in an environment that allows the expression of disagreement when discussing strategic issues.

4. BOARD COMMITTEES

To assist the Board in the discharge of its duties effectively, the Board has delegated certain functions to the following Committees, each operating within clearly defined terms of reference:-

- (a) Audit and Risk Management Committee.
- (b) Nomination Committee.
- (c) Remuneration Committee.

4.1 Audit and Risk Management Committee

The Audit and Risk Management Committee shall be appointed by the Board from amongst their members. The membership of Audit and Risk Management Committee shall consist of not less than 3 members, the majority of whom shall be Non-Executive Directors. The Chairman of the Committee shall be an Independent Non-Executive Director.

The Audit and Risk Management Committee took the task of reviewing the process of preparing and implementation of internal procedures, finding solutions and providing avenues for mitigating the elements of risk and maintaining control. In every financial quarter, the Audit and Risk Management Committee assumes the task of reviewing the draft announcements for the Group's financial results.

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The Audit and Risk Management Committee acknowledged the establishment of internal audit function in the Group. This is to ensure its independence in discharging its duties and responsibilities. The fulfillment of internal audit function in the Group is not confined to, but includes:-

- (a) Appraising the effectiveness and application of administrative and financial controls and the reliability and integrity of data that is produced within the Group.
- (b) Evaluating the adequacy and ascertaining the level of compliance with the Group's policies, plans, procedures and compliance with laws and regulations.
- (c) Ascertaining the adequacy of controls for safeguarding Group's assets from losses of all kinds and as appropriate, verifying the existence of such assets.
- (d) Reviewing the operations of the Group as a whole from the point of view of the economy, efficiency and effectiveness with which resources are employed and making cost effective recommendations to the Management.
- (e) Conducting special review or investigations required by the Management or by the Audit and Risk Management Committee of the Board.

4.2 Nomination and Remuneration Committee

The primary function of the Nomination and Remuneration Committee is to setup the policy framework and to recommend to the Board, the nomination procedures, remuneration package and other terms of employment. The determination of the nomination and remuneration for Non-Executive Directors will be a matter to be decided by the Board as whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual nomination and remuneration package.

5. THE BOARD MEETING

The Chairman shall ensure that the Board meets on a regular interval throughout the financial year and shall have processes of meeting include: -

- (a) A structured formal agenda and Board meeting papers relating to the agenda are circulated to all Directors at least 5 working days before each Board meeting.
- (b) The Articles of Association of the Company shall stipulates the procedures for convening board meetings and the size and required attendance for the Board's quorum.
- (c) Board meeting agendas shall be the responsibility of the Chairman with input from Board Members and/or the Company Secretary.
- (d) The Company Secretary shall be appointed as Secretary of the Board Meeting and minutes of meetings shall be taken and signed by the Chairman of the Board Meeting.
- (e) Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any director during office hours.
- (f) The Board and Board Committees are also allowed to carry out the resolution by way of circulation.
- (g) Individual directors must attend at least 50% of the Board meetings held in each financial year or such other percentage as may be prescribed by the LR.
- (h) The participation of the director can be facilitated by means of video or telephone conferencing.
- (i) The relevant management personnel may be invited to attend the Board meetings.

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6. CONTINUING EDUCATION PROGRAMMES

The Code's Recommendation 4.2 states that the Board should ensure its members have access to appropriate continuing education programmes.

Newly appointed Directors is compulsory to attend the Mandatory Accredited Programme ("MAP") prescribed by the LR and also are invited to attend an in-house orientation programme which is usually conducted after their effective appointment date.

The Directors shall continue to attend relevant training programmes conducted by external experts. The Management shall, from time to time, provide updates regarding any latest amendments pertaining to the LR and statutory provisions or new regulations and accounting standards imposed by the relevant authorities.

7. DIRECTORS REMUNERATION

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve these goals.

The level of remuneration for the executive directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar industry. The Director concern shall abstain from deliberation and voting on his/her own remuneration.

No director other than executive directors shall have a service contract with the Company.

A formal independent review of the directors' remuneration is undertaken no less frequently than once every three (3) years.

8. BOARD EVALUATION AND PERFORMANCE

The Nomination Committee shall evaluate the performance of the Board members on an annual basis.

The Audit and Risk Management Committee shall also be reviewed by the Nomination Committee to ascertain its performance and effectiveness on an annual basis.

The Board as a whole shall review the performance and effectiveness of the Nomination Committee on an annual basis.

9. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

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The Board is mindful on the importance of maintaining proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis.

The Company's website incorporates an Investor Relations ("IR") section which provides all relevant information on the Company and is accessible by the public. This section enhances the IR function by including all announcements made by the Company, annual reports, board charter and the corporate and governance structure of the Company. The Company will enhance the disclosures on its website for broader and effective dissemination of information to its stakeholders from time to time.

In addition to the above, time will be allocated during annual general meetings for dialogue with shareholders to address issues concerning the Company. From the Company's perspective, the annual general meetings also serves as a forum for the Directors and the Management to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from shareholders during and at the end of shareholders' meeting and ensures their queries are responded in a proper and systematic manner.

10. RELATIONSHIP WITH OTHER STAKEHOLDERS

The Board supports the Code's Recommendation 1.4 "The board should ensure that the company's strategies promote sustainability." As the Board believes the Company can prevail by maximising the shareholders' value and the needs and interests of other stakeholders. In carrying out the objectives of sustainability, the Board continuously review and update policies relating to:-

10.1 Employees

The Company provide training and skills enhancement programs to its employees from time to time due to the Company's strong emphasis on distribution of the products/network.

10.2 Environment

The Board recognises the need to safeguard and minimise the impact to the environment in the course of achieving the Group's corporate objectives. The Board supports initiatives on environmental issues and abide by all environmental impact laws and regulations in the course of its projects.

10.3 Social Responsibility

The Board acknowledges that the Company should play an important role towards the welfare of the community in which it operates. The Board shall supports charitable causes and initiatives on community development projects.

This Board Charter was adopted by the Board on 28 January 2016.

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