



## **ELSOFT RESEARCH BERHAD**

Registration No. 200301015084 (617504-K)  
(Incorporated in Malaysia)

### **BOARD CHARTER**

#### **1 OVERVIEW**

The Board Charter sets out the principal functions, composition, roles and responsibilities of the Board of Directors of Elsoft Research Berhad (“Elsoft” or “Company”) and also the functions and responsibilities delegated to the Board Committees as well as to the Management of Elsoft and its Group.

The Board of Directors of Elsoft is primarily responsible for ensuring that the principles of good corporate governance are practised and appropriate governance structure is in place in creating, protecting and enhancing shareholders’ and stakeholders’ values and in promoting stability.

The Board of Directors of Elsoft has a duty to be effective steward and guardian of the Company in setting strategic directions and in overseeing the conduct of business and also in ensuring that the Company is in compliance with laws and ethical values and maintains an effective governance structure to ensure the appropriate management of risks and level of internal controls.

#### **2 OBJECTIVES**

The objectives of the Board Charter are to ensure that the members of the Board are aware of their roles, duties and responsibilities and the application of principles and practices of good corporate governance in their business conduct and dealings in respect of, and on behalf of the Company and the various laws and legislations governing them and the Company.

#### **3 BOARD STRUCTURE AND COMPOSITION**

The number of Directors shall not be less than two (2) or more than fourteen (14) as set out in the Company’s Constitution.

At any one time, at least two (2) or one third (1/3) of the Board members, whichever is higher, shall be Independent Non-Executive Directors as defined in the Listing Requirements of Bursa Malaysia Securities Berhad.

All newly appointed Directors shall hold office only until the next annual general meeting and shall then be eligible for re-election.

The tenure of an Independent Non-Executive Director should not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Non-Executive Director may continue to serve on the Board as a Non-Independent Non-Executive Director. If the Board intends to retain an Independent Non-Executive Director beyond nine (9) years subject to a maximum cumulative term of 12 years, it shall justify and seek annual shareholders' approval through a two-tier voting process at the Company's annual general meeting.

## **4 BOARD OF DIRECTORS**

### **4.1 ROLES AND RESPONSIBILITIES**

The Board of Directors takes full responsibility for the overall performance of the Company and its Group and its obligations to the Company's shareholders and stakeholders.

The principal roles and responsibilities of the Board of Directors are as follows: -

- a. Review, approve and adopt strategic plans/direction of the Company and its Group, to ensure that they support long term value creation and take into account economic, environmental and social considerations underpinning sustainability.
- b. Review and adopt corporate objectives of the Company and its Group which includes performance targets and long-term and medium-term goals.
- c. Identify principal risks of the Group and to ensure the implementation of appropriate internal control and mitigation measures.
- d. Succession planning for CEO and Senior Management, including the implementation of appropriate systems for recruiting, training and determining the appropriate compensation benefits.
- e. Oversee the implementation of a shareholders' communication policy and investors' relations program for the Company, to enable effective communications with its shareholders and stakeholders.
- f. Review the adequacy and integrity of the Group's internal control systems and management information systems and to ensure regulatory compliance with applicable laws, regulations, rules and guidelines.
- g. Oversee that both safety and security risks are managed effectively to ensure protection of personnel, information and other assets.
- h. Delegate certain responsibilities to the various Board Committees with clearly defined terms of reference to assist the Board in the discharge of its responsibilities.
- i. Set, together with Management, the sustainability strategies, priorities and targets of the Group and ensure that these are communicated to the internal and external stakeholders.
- j. Take appropriate action to ensure that they stay abreast with and understand the sustainability issues relevant to the Company and its businesses including climate-related risks and opportunities.

## **4.2 POWERS AND DUTIES**

- a. The Directors may exercise all such powers of the Company and do all such acts on behalf of the Company in managing the business within the scope of the Company's Constitution and of the Companies Act, 2016 and their subsequent amendments thereto.
- b. The Board is to establish written procedures in determining the relevant issues which require the decision of the Board and issues which can be delegated to the Board Committees or to the Management.
- c. The Board has full decision-making powers on the following matters: -
  - i. Corporate strategies.
  - ii. Annual budgets.
  - iii. Risk Management policies.
  - iv. Treasury policies.
  - v. Authority limits.
  - vi. Major capital expenditure and acquisitions and disposal of assets which are not in the ordinary course of business of the Group.
  - vii. Conflict of interest issues relating to substantial shareholders or Directors.
  - viii. Any other issues which may be decided by the Board from time to time.

## **5 CHAIRMAN**

The Board shall appoint one of its members to be Chairman of the Board in accordance with the Company's Constitution.

The Chairman is responsible for: -

- a. Leadership of the Board, ensuring effectiveness on all aspects of its role, setting Board agenda and ensuring adequate time is available for discussion of all agenda;
- b. Ensuring the provision of accurate, timely and clear information to members of the Board;
- c. Ensuring effective communication with shareholders and stakeholders;
- d. Facilitating the effective contribution of non-executive directors and ensuring constructive relations between the executive and non-executive directors;
- e. Acting on the results of board performance evaluation by recognizing the strengths and addressing the weaknesses of the Board.

## **6 CHIEF EXECUTIVE OFFICER ("CEO")**

The CEO implements the policies, strategies and decisions adopted by the Board. He is responsible for the day-to-day management of the Company's operations and shall adhere to the guidelines and instructions provided by the Board.

The CEO shall ensure that the Company's financial statements are prepared in accordance with the relevant legislations and regulations.

The Board or any individual Board member can request the CEO to provide the Board with detailed account of issues.

## **7 BOARD COMMITTEES**

The Board may delegate responsibilities for specific matters to the Board Committees to assist in the discharge of its responsibilities. The Board Committees report and make recommendations to the Board who is ultimately responsible for all decision made.

The current Board Committees of Elsoft are: -

- a. Audit Committee;
- b. Remuneration Committee;
- c. Nomination Committee; and
- d. ESOS Committee.

Each Board Committee has its own Terms of Reference approved by the Board and are periodically reviewed by the Board.

## **8 BOARD MEETINGS AND PROCEDURES**

The Board shall meet at least 4 times a year and has a formal schedule of matters reserved for the Board to decide.

The quorum for the Board meeting shall be 2 members.

Together with the Chairman, the CEO is responsible for the appropriate preparation and documentation of issues to be dealt with by the Board. The Board documentation shall contain sufficient information to provide the Board members with an adequate basis to deliberate and reach a decision on the issue in question.

## **9 DECLARATION OF INTEREST/CONFLICT OF INTEREST**

A Director, who is in any way, whether directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of his interests in accordance with the provisions of the Companies Act, 2016 and shall excuse himself from Board discussions and deliberations and voting in respect of those resolutions/interests.

## **10 ACCESS TO INFORMATION AND ADVICE**

The Board members have access to all information pertaining to the Company and Management shall supply accurate and complete information to the board in a timely manner to enable the Board to discharge its duties effectively.

All Directors have access to the advice and services of the Company Secretary.

A Director is entitled to seek independent professional advice, including but not limited to legal, accounting and financial, either collectively or individually as may be considered necessary in furtherance of their duties and responsibilities at the expense of the Company.

**11 DIRECTORS' TRAINING**

All Directors are required to attend the Mandatory Accreditation Program in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad.

The Board will assess the training needs of the Directors and the Directors are expected to undertake any necessary professional education or training program to enable them to discharge their duties as a Director.

**12 FINANCIAL REPORTING**

The Board is responsible for reviewing the Management's draft of the financial statements. The Company aims to present a clear and fair assessment of the Company's financial position and future prospects in respect of all quarterly results, annual financial statements and announcements issued by the Company within the stipulated timeframe.

The Board is assisted by the Audit Committee who helps to scrutinize information to ensure disclosures are made accurately and adequately on a timely basis.

**13 SHAREHOLDERS COMMUNICATION POLICY**

The Board ensures timely release of financial results and various announcements to provide shareholders with an overview of the Company's performance, corporate strategies and other matters affecting the interests of shareholders.

The Board shall prepare issues to be dealt with at shareholders' meetings and use the shareholders' meeting to communicate effectively with its shareholders, stakeholders and the public in general.

The Board maintains appropriate corporate disclosure policies and procedures which are in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad.

**14 REVIEW OF THE BOARD CHARTER**

The Board shall review the Board Charter at least once in every financial year and make any necessary amendments as and when the Board deems necessary.