PERAK TRANSIT BERHAD

BOARD CHARTER

1. INTRODUCTION

The Board of Directors ("**Board**") of Perak Transit Berhad ("**Company**") is responsible for ensuring the highest standards of Corporate Governance throughout the Company and its subsidiaries (collectively, the "**Group**") are practiced in all its business dealings with the shareholders and relevant stakeholders.

This Board Charter ("**Charter**") has been adopted by the Board, which collectively leads and is responsible for the success of the Group, to set out the composition, role, functions and processes of the Board to ensure that all members of the Board are aware of their duties and responsibilities as Board members.

2. BOARD STRUCTURE

2.1 Composition and Balance

The composition of the Board reflects the duties and responsibilities it has to discharge and perform as representatives of the interests of the shareholders of the Company.

The number of Directors shall neither be less than three (3) nor be more than twelve (12) as set out in the Company's Articles of Association ("**Articles**"). The Board comprises a balance of Executive Directors and Non-Executive Directors (including Independent Non-Executives) under the stewardship of a Chairman to ensure that no individual or small group of individuals can dominate the Board's decision making.

The Chairman shall be an Independent Non-Executive Director and there should be a clearly accepted division of responsibilities between the Chairman and Managing Director to ensure a balance of power and authority.

The Board comprises members of high caliber, credibility and integrity with diverse professional backgrounds, skills, vast experience and knowledge required to bring an independent judgment to bear on the issues of strategy, performance and resources including key appointments and standard of conduct.

In accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**"), the Company shall ensure that at least two (2) Directors or one-third (1/3) of the Board, whichever is the higher, are Independent Directors. If the number of Directors is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall be used.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness. In addition, the Board shall periodically conduct a formal review of its own performance. These mechanisms act as a regular check on the composition of the Board and the appropriateness of the mix of skills, experience, expertise and diversity of the Board members for the Company.

2.2 Appointments

The proposed appointment of new member(s), resignation of existing member(s), as well as the proposed re-election of the Directors of the Group are approved by the Board upon the recommendation of the Nomination Committee.

The Nomination Committee reviews and recommends the criteria for appointment of new Directors. Upon the recommendation from this committee, the appointment of a new Director is a matter for consideration and decision by the Board as a whole.

The selection criteria for the new candidates for directorship encompass diversity of gender, the required mix of skills, experience and other requisite qualities of individuals towards achieving the business goals.

Upon the appointment of new Directors to the Board, the Chairman shall ensure that the new members are fully briefed on the terms of their appointment, duties and responsibilities. The Chairman shall obtain the expected time commitment from the members to carry out their responsibilities at the time of appointment.

New members shall also be briefed on the operations of the Group to increase their understanding of the business, the environment and markets in which the Group operates, current issues within the Group, the corporate strategy, the expectations of the Group concerning input from Directors, the general responsibilities of the Directors, including meeting key members of Management.

The directorships held by any Board member at any one time in both listed and non-listed companies shall not exceed the restriction in number or such other requirements as may be prescribed by the Listing Requirements from time to time.

2.3 Tenure and Re-election

The Articles provide that new Directors who are appointed by the Board may only hold office until the following Annual General Meeting ("**AGM**") and shall then be eligible for re-election.

The Articles also provide for one-third (1/3) of the Board to retire at every AGM and the retiring Director(s) shall be eligible for re-election. The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire (unless they otherwise agree among themselves) be determined by lot.

In accordance with the Articles, an election of Directors takes place subsequent to their appointment each year where one-third (1/3) of the Directors or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire by rotation from office and shall be eligible for re-election at each AGM and that each Director shall retire from office at least once in every three (3) years and shall be eligible for re-election.

In addition, the tenure of an Independent Director shall 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. 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.

2.4 Independence of Directors

Independent Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

The Board shall assess the independence of the Directors under the annual assessment of the Board by taking into consideration of their disclosed interests and having regard to the criteria for assessing the independence of Directors.

2.5 Code of Conduct

In performance of the Board's duties, the Directors shall observe the Directors' Code of Conduct which continues to govern the standards of ethics and good conduct expected from the Directors.

The Code of Conduct, which forms part of the Charter, sets out the performance of Directors in their duties and conduct in relation to the Group's corporate governance, its relationship with the shareholders, employees, creditors and customers as well as its social and environment responsibilities.

2.6 Training and Continuing Education

The Directors shall continuously update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations.

The Board shall also on continuous basis, evaluate and determine the training needs of its Directors. The subject matter of training must be one that aids the Director in discharging his duties as a Director.

2.7 Remuneration

The Board will determine the level of remuneration paid to the members of the Board, taking into consideration the recommendations of the Remuneration Committee.

Non Executive Directors

In determining the level of remuneration for Non-Executive Directors, the considerations that the Board shall take into account include:

- Membership of Non-Executive Directors in Board Committees
- Whether the Director is an ordinary member or Chairman of the Board Committee
- Any special responsibilities that the Board has assigned to the Director

A review of the remuneration of Non-Executive Directors will be undertaken every year. The level of remuneration for each Non-Executive Director shall be approved at the AGM of the Company.

Executive Directors

In determining the remuneration of Executive Directors, the Remuneration Committee shall consider the contributions made by the Executive Directors, and the effectiveness of the Executive Directors in meeting established objectives and goals.

The Remuneration Committee shall then recommend to the Board the remuneration package of the Executive Director for approval. The Board is the ultimate decision making body.

3. BOARD ROLES

3.1 Principal Duties and Responsibilities

The Board retains full and effective control of the Company and plays an important role in defining the scope of corporate governance within the Group. The Board assumes, amongst others, the following duties and responsibilities:

- review and adopt the strategic and business plans for the Group;
- oversee the conduct and performance of the Group's businesses;
- review, identify and effectively manage the principal risks affecting the Group;
- review the adequacy and integrity of the management information and internal control systems of the Group;
- establish and implement succession planning for business continuity; and
- maintain effective communication with various stakeholders including shareholders and the general public.

Apart from these responsibilities, the Board may take full and independent responsibility and accountability for the smooth functioning of core processes which involve board governance, business values and ethical oversight.

3.2 Key Matters Reserved for the Board

The Board maintains a schedule of matters reserved for its collective decision. The purpose of this is to ensure that the Board and Management are clearly aware of where the limits of responsibility lie and that due consideration is given to issues at the appropriate level.

The following are matters which are specifically reserved for the Board:

(a) approval of corporate and annual operating plans of the Group;
(b) approval of interim and annual financial results of the Group, including the Annual Report;
(c) approval of the internal and external audit plans;
(d) approval of any significant change in the accounting policies and practices;
(e) approval of the Risk Management Framework and Risk Management Report for the Group;
(f) approval of any interim dividend, recommendation of the final dividend and the dividend policy;
(g) approval of changes to the management and control structure within the Group, including key policies, delegated authority limits.
(h) approval for the establishment of the Board Committees and their terms of reference;
(i) approval of new ventures and major investments;
(j) approval of material acquisitions and disposals of undertakings and properties; and
(k) approval of major borrowing or giving of security over assets.

3.3 Role of Chairman and Managing Director

Chairman

The Chairman is primarily responsible for ensuring that the Board meets regularly throughout the year and the meetings are conducted in an orderly manner.

The Chairman leads the Board in the oversight of Management and ensure its effectiveness of all aspects of its role. He also plays a pivotal role in ensuring that the Directors are effectively apprised on the business and operations of the Group and facilitates the effective contribution of all Directors at Board meetings to ensure that decisions are arrived after taking into consideration the interests of shareholders, employees, customers and other stakeholders. He is also charged with the responsibility of ensuring the integrity and effectiveness of the relationships between the Non-Executive and Executive Directors, and between the Board and Management.

Managing Director

Managing Director, supported by his management team, is responsible for the day-to-day management of the Group's businesses, which includes implementing the policies and decisions of the Board, overseeing the operations to ensure organisational effectiveness, and managing the development and implementation of the businesses and corporate strategies. He also assesses business opportunities which are of potential benefit to the Group.

The Managing Director reports to the Chairman with respect to matters concerning the Board members and is obliged to report and discuss at board meetings all material matters currently or potentially affecting the Group and its performance, including all strategic projects and regulatory developments. He must bring such material and other relevant matters to the attention of the Board in an accurate and timely manner.

3.4 Board Committees

As part of its efforts to ensure the effective discharge of its duties, the Board delegates certain functions to certain committees with each operating within its clearly defined terms

of reference. The Chairman of the various committees will report to the Board on the key issues deliberated by the committees and the outcome of the committee meetings at the Board meetings. Independent and Non-Executive Directors play a leading role in these Committees.

The Board has established the following Board Committees with specific terms of reference:

- Audit Committee;
- Nomination Committee; and
- Remuneration Committee.

Details of the membership and terms of reference including the duties and responsibilities of each Committee appointed by the Board are published in the Annual Report.

The Board shall also delegate specific functions to ad hoc committees on an "as needs" basis as and when necessary. The terms of reference and powers delegated to any such committee will be approved and authorised by the Board at the time the committee is established as set out in Board resolutions.

3.5 Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Company Secretary is responsible for ensuring that the Board's procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation.

The Company Secretary is also responsible for ensuring compliance by the Group with the relevant regulations affecting the Group, including but not limited to the Companies Act 1965, the Articles and the Listing Requirements.

The specific responsibilities of the Company Secretary are as follows:

(a) attend Board, Board Committees and general meetings, and ensure the proper recording of minutes;
(b) ensure proper upkeep of statutory registers and records;
(c) assist the Chairman in the preparation for and conduct of meetings;
(d) assist the Chairman in determining the annual Board plan and the administration of other strategic issues;
(e) assist the Chairman in the induction of new Directors;
(f) advise the Board on governance issues; and
(g) ensure compliance of listing and related statutory obligations, and continuously update the Board on changes to the Listing Requirements and other related legislations and regulations.

The Company Secretary shall also act as secretary of the Board's Committees, and shall be responsible, with the concurrence of the respective Committee's Chairman, for drawing up and circulating the agenda and notice of meetings together with supporting explanatory documentation to all Committee members in sufficient time prior to each meeting.

4. BOARD MEETINGS AND PROCEDURES

The Board shall convene scheduled meetings at least four (4) times a year, with additional meetings to be convened as and when necessary. The quorum of Board meeting is three (3) members present in person.

The agenda of each scheduled Board meeting shall be circulated by the Company Secretary to all Directors at least five (5) days prior to the meeting. Board meeting papers should be made available to all Directors at least three (3) days prior to the meeting.

Directors shall be expected to attend and participate fully and constructively in the meetings (and meetings of Board Committees on which they serve) and use their best endeavors to spend the time needed to properly discharge their responsibilities.

The Directors may, if they think fit, confer by telephone, closed circuit television or other electronic means of audio or audio-visual communication. A resolution passed by such a conference shall, despite the fact that the directors are not present together in one place at the time of the conference, be deemed to have been passed at a meeting duly convened and constituted.

Key senior management personnel of the Group shall attend meetings on the invitation of the Board, where their presence are considered appropriate as determined by the Chairman or the Managing Director. The Board may also invite external parties such as auditors (internal and external), solicitors or consultants to brief the Directors as and when the need arises.

When arriving at decision, the Chairman shall seek a consensus in the Board but may, where considered necessary, call for a vote. The decision of the Board shall be by majority votes. In cases of equality of votes, the Chairman shall have a casting vote.

The Company Secretary shall be in attendance at each meeting and record the proceedings thereat. The minutes of meetings shall be confirmed and signed by the Chairman of the meeting as correct proceedings thereat in the next scheduled Board meeting unless otherwise determined.

A circular resolution in writing, stating the reason(s) to arrive at a decision, signed by all Directors who may at the time be present in Malaysia and who are sufficient to form a quorum shall be valid and effectual as if it had been passed at a meeting duly convened and constituted. Any such resolutions may consist of several documents in like form, each signed by one or more Directors.

5. ACCESS TO INFORMATION, COMPANY SECRETARY AND INDEPENDENT ADVICE

The Directors shall have unrestricted and immediate access to senior management and all information on the affairs of the Group whether as full Board members or in their individual capacity, in furtherance to their duties. At the request of the Board, Management is obliged to supply in a timely manner, all relevant information relating to the business, operations and governance of the Group, including information concerning customer satisfaction and survey quality, market share and market reaction to enable the Board to discharge its duties effectively.

The Directors, particularly the Chairman, shall also have direct and unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business in ensuring that all the Board procedures, statutory requirements and other regulatory requirements are properly adhered.

Members of the Board may collectively or individually seek external or independent professional advice and/or assistance from relevant experts in furtherance of their duties and at the Company's expense.

The Directors acknowledge that confidential information received in the course of exercise of the Board duties remains the property of the Group, whether it relates to the Group or another entity. It will not be disclosed unless either the Chairman of the Board has so authorised in writing or disclosure is required by law.

6. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board shall maintain an effective communication policy that enables both the Board and Management to communicate effectively with the shareholders and other stakeholders. The dissemination of material information shall be done to promulgate timeliness, clarity, completeness and accuracy in the disclosure of information, which in turn should enable the shareholders and investors to make informed decisions.

The main forum for communication between the Board and the shareholders is the AGM of the Company. Other formal channels of communication to the shareholders and other stakeholders for the overall performance of the Company's business are:

- Annual report
- Company's website
- Public announcements
- Disclosures to the relevant authorities

The Board shall designate the Senior Independent Director who will also attend to any query or concern raised by shareholders. At all times, shareholders may communicate their queries through the Company Secretary. Shareholders are also invited to direct their queries and correspondence in writing to a designated person in charge of communication via telephone, fax and email.

7. BOARD EVALUATION AND PERFORMANCE

The Board shall periodically conduct a formal review of its own performance. This mechanism acts as a regular check on the composition of the Board and the appropriateness of the mix of skills, experience, expertise and diversity of the Board members for the Company.

The Nomination Committee is required to implement the evaluation process to assess the effectiveness of the Board as a whole, the Board's Committees and the contribution of each individual Director on an annual basis.

The results of the evaluation process will assist the Nomination Committee to review, on an annual basis, the required mix of skills and experience and other qualities, including core competencies which Directors should bring to the Board. The assessment of Directors is an examination of each Director's ability to contribute to the effective decision making of the Board.

The overall results of the evaluation processes and improvements recommended thereon are to be presented by the Chairman of the Nomination Committee to the Board in respect of the performance of the Board as a whole.

8. REVIEW OF THE CHARTER

The Charter, together with the Articles and Memorandum of Association, act as a source of reference to the Board in discharging its roles and responsibility effectively. It is not intended to replace nor serve as a substitute to the laws or other regulatory requirements. The Charter is further guided and subject to the Listing Requirements, where relevant.

The Charter shall be periodically reviewed by the Board to ensure its relevance in assisting the Board to discharge its duties with the changes in the Listing Requirements and regulations and any new regulations that may have an impact on the discharge of the Board's objectives and responsibilities. Any subsequent amendment to the Charter must only be approved by the Board.

The Charter shall be made available for reference in the Company's website at www.peraktransit.com.my