

1. PURPOSE OF CHARTER

The Board Charter serves as a source of reference and primary induction literature providing insights to prospective Board members and senior management. It sets out the composition, role and responsibilities of the Board of Directors, the Chairman, the Group Managing Director, the Executive Director, the Non-Executive Directors and the Board Committees.

2. BOARD COMPOSITION

At least two (2) directors or one third of the Board, whichever is higher, shall be independent directors as defined in the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Board's composition shall represent a mix of knowledge, skills and expertise relevant to the diversified activities of the Group.

The roles of the Chairman and Managing Director are separately and clearly defined and the positions are individually held by two (2) persons. Generally, the Executive Directors are responsible for the day-to-day management of the business in making and implementing operational and corporate decisions as well as developing, coordinating and implementing business and corporate strategies. Non-Executive Directors play key supporting roles, contributing knowledge and experience towards the formulation of policies and in the decision-making process. They could provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied. Where a potential conflict of interest may arise, it is mandatory practice for the Director concerned to declare his interest and abstain from the decision-making process.

3. BOARD MEETINGS

The Board shall meet regularly at least four (4) times a year to deliberate and consider various matters including the Group's financial results, major investments and strategic decisions, business plan and direction of the Group. Additional meetings will be convened as and when required. During the intervals between Board meetings, for exceptional matters requiring urgent Board decision, Board approvals are sought via circular resolutions, with are supported with sufficient information required to make an informed decision.

4. PRINCIPAL RESPONSIBILITIES OF THE BOARD

The principal responsibilities of the Board comprise the following:

- (i) Setting the objectives, goals and strategic plan for the Company with a view to maximizing shareholder value and promoting sustainability;
- (ii) Adopting and monitoring progress of the Company's strategies, budgets, plans and policies;
- (iii) Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;

- (iv) To consider and approve reserved matters covering corporate policies, material investment and acquisition/disposal of assets;
- (v) Identifying principal risks and ensuring implementation of appropriate systems to manage these risks;
- (vi) Succession planning, including appointing, training, fixing of compensation of and where appropriate, replacing senior management;
- (vii) Developing and implementing an investor relations programme or shareholder communication policy for the Company; and
- (viii) Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

3. CHAIRMAN

The positions of Chairman and Managing Director are individually held by two (2) persons to ensure a balance of power and authority. There is a clear distinction between the roles and responsibilities of the Board, Chairman and Managing Director. The balance of responsibilities between the Board and Managing Director will be reviewed on a regular basis so as to ensure that the division of functions remains appropriate to the needs of the Company.

The role of Chairman include, amongst others, overseeing the orderly conduct and effectiveness of the Board by ensuring a cohesive working relationship between members of the Board whilst the Managing Director has overall responsibility for the Group strategies, organizational effectiveness, implementation of Board policies and decisions.

The Board will appoint a Chairman from among the Directors. The Chairman's responsibilities include:

- (i) Providing overall leadership to the Board and representing the Board to the shareholders; Chairing meetings of the Board in such a manner that will stimulate debate on the issues before the Board and encouraging the most effective contribution from each Director;
- (ii) Ensuring the effectiveness of the governance process of the Board;
- (iii) Maintaining regular dialogue with the Managing Director/Executive Director/Chief Operating Officer ("MD/ED/COO") over all operational matters and will consult with the remainder of the board promptly over any matter of major concern;
- (iv) Initiating, normally in conjunction with the MD/ED/COO, the formulation of a business plan to ensure that the Board establishes at the beginning of each year the goals it wishes to achieve and the means by which this will be carried out;

- (v) Setting agenda for Board meetings, usually in conjunction with the MD and Secretary;
- (vi) Reviewing the minutes of meetings of the Board before meeting, to ensure they accurately reflect the Board's deliberations, and matters arising from the minutes and on which further action is required have been addressed.

4. BOARD COMMITTEES

The Board has five committees, namely:

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Risk Management Committee
- Executives' Share Option Scheme ("ESOS") Committee

Board committees will observe the same rules of conduct and procedure as the Board unless the Board determines otherwise.

5. AUDIT COMMITTEE

The Committee shall be appointed by the Board. The majority of the Committee must be independent directors of the Company and must be composed of at least 3 members. All members of the Committee should be non-executive directors. The Chairman of the Committee shall be appointed by the Board whom must be an independent director. In the absence of the Chairman, the members shall elect one of their members present to be Chairman for that meeting.

All members of the Audit Committee should be financially literate and at least one member of the Audit Committee:-

- i. Must be a member of the Malaysian Institute of Accountants; or
- ii. If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
 - a) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - b) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- iii. Fulfills such other requirements as prescribed or approved by the Bursa Malaysia.

The Audit Committee shall discharge the following duties, among others, include reviewing the following and reporting the same to the Board of Directors:

- (a) with the external auditors, the audit plan;
- (b) with the external auditors, their evaluation of the system of internal controls;

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- (c) with the external auditor, the audit report;
- (d) the assistance given by the employees of the Company to the external auditor;
- (e) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (g) the quarterly results and year end financial statements, before the approval by the Board of Directors, focusing particularly on –
 - changes in or implementation of major accounting policy changes;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
 - major judgemental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
- (h) any related party transaction and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (i) any letter of resignation from the external auditors of the Company; and
- (j) whether there is a reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.

Additional duties of the Audit Committee include:

- (i) to recommend the nomination of a person or persons as external auditors;
- (ii) to discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- (iii) to review any major findings of internal investigations and management's response;
- (iv) to discuss problems and reservations arising from interim and final audits and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (v) to review the external auditor's management letter and management's response;

- (vi) to consider audit fee of the external auditors;
- (vii) to promptly report to Bursa securities if a matter reported by the Audit Committee to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Bursa Securities Main Market Listing Requirements;
- (viii) to ensure financial statements comply with applicable financial reporting standards;
- (ix) to review and assess the suitability and independence of external auditors;
- (x) to review the adequacy of the audit Committee's policies and procedures for the provision of non-audit services by the Group's auditors;
- (xi) to obtain a written confirmation from the external auditors on an annual basis or at any time as the Audit Committee may request, confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
- (xii) to consider other topics, as defined by the Board.

7. REMUNERATION COMMITTEE

The Remuneration Committee consists of three Directors, a majority of whom are independent. The Chairman of the Remuneration committee shall be an independent non-executive Director.

The Remuneration Committee's primary responsibility is to recommend to the Board the remuneration of the Executive Directors and senior management staff at director level in all its forms, drawing from outside advice as necessary. The Executive Directors play no part in deciding their own remuneration and the Directors concerned shall abstain from all discussion pertaining to their remuneration. The Board as a whole determines the remuneration package of Non-Executive Directors.

8. NOMINATION COMMITTEE

The Nomination Committee consists of three Directors, all of whom are independent. The Chairman of the Nomination committee shall be an independent non-executive Director.

In compliance with the Code, the Board has established a Nomination Committee. The Board has delegated to the Nomination Committee the responsibility for considering the appointment of Directors, for identifying and selecting potential new Directors and for proposing to the Board the appointment of new Directors, reviewing the Board's succession plans and training programmes for the Board as well as assessing Directors, Board and Board

Committees on an ongoing basis. In making its recommendations, the Nomination Committee will consider the candidates' skills, knowledge, expertise and experience, professionalism, integrity and in the case of candidates for the position of independent non-executive directors, the Nomination Committee will also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

The Company Secretaries shall ensure that all appointments are properly made and all necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Bursa Malaysia Listing Requirements or other statutory requirements.

The Board has adopted a formal process to be carried out by the Nomination Committee for reviewing its own effectiveness and that of its individual Directors and Board Committees and assessing the independence of its Independent Directors. Each member of the Nomination Committee receives the Board performance evaluation questionnaires and separate Committee performance evaluation forms. The assessment of the Nomination Committee's performance shall be carried out by individual members of the Nomination Committee. All Board members are required to assess their own performance by completing the Director's performance evaluation form. All Independent Directors are required to assess their level of independence by completing the form of annual assessment of independence of independent directors.

The Chairman of the Nomination Committee shall then report the findings and/or recommendations to the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions are properly documented and kept confidential.

9. RISK MANAGEMENT COMMITTEE

The Risk Management Committee consist of one non-independent non executive Director, one executive Director and one Senior Manager (Accounts).

The Risk Management Committee is established to oversee the implementation of the risk management system in the Group. The Risk Management Committee assist the Audit committee in ensuring an effective process to continuously identify, assess and manage risks and reviews the efficacy of internal controls within the Group.

10. EXECUTIVES' SHARE OPTIONS SCHEME ("ESOS") COMMITTEE

The ESOS Committee administers the Company's Executives' Share Option Scheme ("the Scheme") established on 30 October 2009 and will be in force for a period of ten (10) years from the date of implementation on 25 May 2010.

The ESOS Committee has the power to administer the Scheme and to issue shares in respect of the ESOS at any time upon such terms and conditions in accordance with the provisions of the By-Laws as approved by the relevant authorities and for such purposes as the ESOS Committee may deem fit

provided that the aggregated number of shares to be issued does not exceed 5% of the issued share capital of the Company at the time of offer.

The ESOS Committee meets as and when necessary and may make decisions by way of circular resolutions.

11. RE-ELECTION OF DIRECTORS

The Nomination Committee established by the Board is responsible for proposing and assessing new nominee(s) to the Board and Board Committee membership and thereupon submitting their recommendation to the Board for decision. As part of the appointment process, the potential candidate must disclose his existing directorships as well as any other commitments so as to determine whether he has adequate time to perform his duties.

In accordance with the Company's Articles of Association, all Directors shall retire from office once at least in each 3 years, but shall be eligible for re-election. An election of Directors shall take place each year.

Directors over seventy years are subject to re-appointment annually in accordance to Section 129(6) of the Companies Act, 1965.

Directors appointed by the Board during the financial year shall be subject to retirement and re-election by shareholders in the next Annual General Meeting held following their appointments.

The performance of those Directors who are subject to re-appointment and re-election at the next annual general meeting are assessed by the Nomination Committee whereupon recommendations are submitted to the Board for decision on the tabling of the proposed re-appointment and re-election of the Directors concerned for shareholders' approval.

12. SUPPLY OF INFORMATION

All Directors are provided with an agenda and a set of Board papers containing information relevant to the business of the meeting, including information on financial, operational and corporate matters prior to Board meetings. The Board papers are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be properly briefed before the meetings.

The Directors have access to all information within the Company, whether as a full board or in their individual capacity, to the extent that the information required is pertinent to the discharge of their duties as Director and is for the benefit of the Company.

In addition, there are matters reserved specifically for the Board's decision, including the approval of corporate proposals, plans and annual budgets, acquisitions and disposals of undertakings and properties of a substantial value, major investments and financial decisions and changes to the management and control structure within the Group, including key policies and procedures and

delegated authority limits.

The Board has also put into place a procedure for Directors, whether as a full Board or in their individual capacity, to take independent professional advice at the Company's expense, if necessary.

All Directors have access to the advice and services of the Company Secretaries in carrying out their duties. The Board is regularly updated by the Company Secretaries on new changes to the legislations and Bursa Malaysia Securities Berhad Main Market Listing Requirements and the resultant implications to the Company and the Board in discharging their duties and responsibilities. The appointment and removal of the Company Secretaries is a matter for the Board as a whole.

13. PUBLICATION OF THE CHARTER

Key features of the charter are to be outlined in the Company's Annual Report. A copy of the charter is available at the corporate website www.innoprise.com.my