



# **BOARD CHARTER**

**Revised on 12 November 2024**



## **BOARD CHARTER**

### **1.0 PURPOSE**

- 1.1 This Board Charter (“Charter”) sets out the roles, responsibilities, processes and functions of the Board of Directors (“Board”) of Malaysia Marine and Heavy Engineering Holdings Berhad (“MHB” or “Company”) which reflect the corporate governance structure and practices of the MHB Group. This Board Charter is available on MHB’s website at: <https://mhb.com.my/>
- 1.2 The Board’s roles and responsibilities are governed by the Constitution of the Company and also in accordance with the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), the Malaysian Code on Corporate Governance of Securities Commission Malaysia (“MCCG”), the Capital Markets and Services Act 2007 and any other prevailing regulatory corporate governance practices and laws.

### **2.0 BOARD ROLES AND RESPONSIBILITIES**

#### **2.1. Board Structure and Composition**

- 2.1.1 The Board comprises qualified individuals with diverse skills, experiences, and background. The composition of the Board promotes diversity as such it enables various perspectives and views to be given. This facilitates the making of informed decisions and the execution of wholesome stewardship of the Company by the Board
- 2.1.2 The Constitution provides that the number of Directors shall not be less than two (2) nor (unless otherwise determined by the Company in general meetings) more than fourteen (14).

- 2.1.3 The Board comprises Independent Non-Executive Directors (“INED”), Non-Independent Non-Executive Director (“NINED”) and a Non-Independent Executive Director (“ED”), with at least one (1) woman Director.
- 2.1.4 The Board through the Nomination and Remuneration Committee (“NRC”) shall review the size and composition of the Board and Board Committees and ensures they meet the Company’s requirements for effective decision making. This includes a balanced representation of diverse experiences, skills, background, individual merit, knowledge and expertise. The Board also evaluates its composition to maintain an appropriate balance between Independent Directors (“ID”) and representatives of major shareholders.
- 2.1.5 The Board must have a balanced composition of INED and NINED in compliance with the MMLR and consistent with the needs of the Company.
- 2.1.6 The Board shall prohibit the appointment of active politicians, as defined in MCCG, including persons linked directly with the executive powers such as heads of state, heads of government and ministers as its members.
- 2.1.7 The fit and proper assessment shall be conducted prior to the initial appointment or proposed re-election/re-appointment as a Director. In assessing a person’s fitness and propriety, the Board, through its NRC, shall consider all relevant factors based on character, integrity, experience, competency, time and commitment. The NRC and the Board, in conducting the fit and proper assessment, shall be guided by the MHB Directors’ Fit and Proper Policy. The policy is available on MHB’s website at: <https://mhb.com.my/>

## **2.2 Board Diversity**

- 2.2.1 The Board considers various aspects of diversity among its members to maintain a well-balanced composition that supports effective governance and decision-making. In this regard, the Board is committed to upholding the Board Diversity Policy statement as detailed below:

### ***Board Diversity Policy***

*Malaysia Marine and Heavy Engineering Holdings Berhad is committed to ensuring the requisite diversity of our Board members, encompassing for example, age, ethnicity and gender, and leveraging on differences in thought, perspective, knowledge, skill, regional and industry experience, and background. These will provide the necessary perspectives, experience and expertise required to achieve effective stewardship and management of the Company by the Board. The Board maintains the pursuit of its target of 30% women directors in line with the country’s aspirational target of 30% representation of women directors.*

### **2.3. Director's Tenure**

- 2.3.1 The tenure of an Independent Director shall be limited to nine (9) years.
- 2.3.2 The tenure of a NINED is not subject to any maximum years of service unless otherwise stated in the letter of appointment.
- 2.3.3 The Managing Director & Chief Executive Officer ("MD & CEO") of the Company shall be the ED on the Board of the Company for such tenure that commensurate with the MD & CEO's tenure.
- 2.3.4 All Directors shall be subjected to retirement by rotation in accordance with the Companies Act 2016 and Company's Constitution.

### **2.4. Roles of the Board**

The Board is responsible for providing strategic guidance for the Company and effective oversight of Management. The key responsibilities of the Board, among others are:

- (a) establishing a strategic plan and setting targets for the Company in line with the Company's vision, mission and business objectives which supports long-term value creation and includes a sustainability agenda;
- (b) upholding together with Senior Management, a strong corporate governance culture and business conduct within the Company which reinforces ethical, prudent and professional behaviour;
- (c) overseeing the Company's conduct and performance, as well as that of the MD & CEO against set goals and objectives;
- (d) establishing an effective risk management and internal control framework, including regular reviews of its adequacy and effectiveness;
- (e) identifying and understanding the principal risks faced by the Company, defining the Company's risk appetite and ensuring the implementation of appropriate systems to evaluate, monitor and manage these risks;
- (f) reviewing the Company's strategic, capital or funding transactions and monitoring execution of these transactions
- (g) ensuring the integrity and adequacy of the Company's financial and non-financial reporting and as well as its disclosure;

- (h) ensuring the establishment of a sound succession plan and continuous development of human capital, particularly for the Senior Management, with measures in place to ensure orderly succession of both the Board and Senior Management;
- (i) ensuring that the Company has established procedures for effective communication with stakeholders, including the development and implementation of an investor relations program and a comprehensive communication policy;
- (j) reviewing, challenging and making decisions on Management's proposals for the Company and monitoring their implementation by Management;
- (k) overseeing and evaluating Management's performance to ensure the business is being effectively managed; and
- (l) ensuring that all Directors have the capability to understand financial statements and form an informed opinion on the information presented.

## **2.5 Role of Directors**

2.5.1 Directors are expected to comply with their legal, statutory and equitable responsibilities when discharging their fiduciary duties as Directors in accordance with the Companies Act 2016, MMLR and best practices under MCCG. The duties of the Directors include, among others are:

- a) acting in good faith in the best interest of the Company;
- b) avoiding conflict of interest with the Company or Group in a personal and professional capacity including improper use of the property, information, opportunity of the Group or position as a Director or Officer of the Group or engaging in business which is in competition with the Group;
- c) declaring the nature and extent of any conflict of interest in matters relating to the Company or Group which is not limited to direct financial interest (i.e. where director concerned had personal pecuniary interests which were in conflict with those of Company or Group) but also include indirect financial interest, non-financial interest (e.g. arising from relationships whether family, business or professional interests), or competing loyalties or interests, at the board meeting or notify the Company as soon as they become aware of relevant facts.
- d) abstaining from deliberations and voting in respect of any matters which may give rise to an actual or potential conflict of interest situation.

- e) devoting sufficient time to fulfill their duties, attend Board and Board Committee meetings, participate in the Directors' continuous training program and briefings, and attend at least 50% of the Board meetings held in each financial year;
- f) ensuring that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter; and
- g) all Directors, including the Chairs of the Board Committees, must attend General Meetings to provide meaningful response to questions addressed to them.

2.5.2 The Independent Non-Executive Director (INED) are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgment. They ensure that the interests of all shareholders are taken into account by the Board and that the relevant issues are given objective and impartial consideration by the Board.

2.5.3 The Non-Executive Directors (NED) do not participate in the day-to-day management of the Company and do not engage in any business transaction or other relationships with the Company so as to ensure that they exercise their independent judgment and act in the best interest of the Company.

## **2.6 Role of Chairman**

2.6.1 The Chairman of the Board is a NED and is primarily responsible for leading the Board. The Chairman shall not be a member of any MHB Board Committees.

2.6.2 There is a clear division of responsibilities between the Chairman and the MD & CEO. The Chairman's key responsibilities include:

- a) instilling good corporate governance practices, leadership and effectiveness of the Board;
- b) setting the agenda for each Board meeting together with the Company Secretary and MD & CEO;
- c) leading the Board and general meetings and discussions;
- d) encouraging active participation and allowing dissenting views to be freely expressed;

- e) leading the Board in setting and monitoring good corporate governance practices, values and standards in the Company;
- f) maintaining a relationship of trust with and between the ED and NEDs;
- g) facilitating the effective contribution of NEDs and ensuring constructive relations be maintained between ED and NEDs; and
- h) ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.

## **2.7 Role of Senior Independent Director**

2.7.1 The Senior Independent Director is a NED. The Board may select among its INEDs to be appointed as Senior Independent Director ("SID"). The SID's responsibilities include:

- a) acting as a sounding board for the Chairman;
- b) acting as an intermediary for other Directors and/or Chairman when necessary;
- c) acting as a point of contact for shareholders and other stakeholders on areas that cannot be resolved through the normal channel of contact with the Chairman or MD & CEO; and
- d) to execute such other roles as designated by the Board from time to time.

## **2.8 Role of MD & CEO**

2.8.1 The MD & CEO is responsible for the day-to-day and overall operations of the business, organisational effectiveness and implementation of Board's strategies and policies. The MD & CEO is the conduit between the Board and Management.

2.8.2 All Board authorities conferred on the Management is delegated through the MD & CEO and this will be considered as the MD & CEO's authority and accountability.

2.8.3 The MD & CEO is assisted by the Management Committee of the Company in managing the day-to-day business.

## **2.9 Role of Board Committees**

2.9.1 The Board may from time to time establish Board Committees to assist in carrying out its duties and responsibilities. The following Board Committees have been established with clearly defined Terms of Reference (“TOR”) to ensure good governance in the decision-making process:

- a) Board Audit Committee (“BAC”);
- b) Nomination & Remuneration Committee (“NRC”); and
- c) Board Sustainability and Risk Committee (“BSRC”) .

2.9.2 The Board Committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their TORs which may be amended by the Board from time to time. The INEDs and NEDs play a leading role in these Board Committees. Where necessary, the Board may form additional Board Committees.

### **2.9.3 BAC**

The BAC shall comprise at least three (3) members, a majority of whom shall be INEDs. The BAC is responsible for providing oversight on the financial reporting process and internal control framework and policies as well as the Whistleblowing Policy, whistleblowing management process and actions thereon. The roles and responsibilities of the BAC are provided in its TOR.

The Board shall appoint a Chairman of the BAC from among the Board members who shall be an INED and who is not the Chairman of the Board.

### **2.9.4 NRC**

The NRC shall comprise at least three (3) members, a majority of whom shall be INEDs. The NRC is responsible for providing oversight on Directors’ skills and experience, Board performance, Board composition and diversity, Directors’ induction programme and continuous training, Directors and Senior Management remuneration, and Board and Senior Management succession planning. The roles and responsibilities of the NRC are provided in its TOR.

The Board shall appoint a Chairman from among the Board members who shall be an INED and who is not the Chairman of the Board.

#### **2.9.5 BSRC**

The BSRC shall comprise at least three (3) members, a majority of whom shall be INEDs. The BSRC is responsible for providing oversight on the risk management framework, policies and processes and determining the sustainability strategy and governance structure. Additionally, the BSRC is tasked to review new business ventures, non-core business projects, bids and commercial proposals for projects which values are as outlined in the MHB Group Limits of Authority. The roles and responsibilities of the BSRC are provided in its Terms of Reference.

The Board shall appoint a Chairman of BSRC from among the Board members who shall be an INED and who is not the Chairman of the Board.

### **2.10 Role of Company Secretary**

2.10.1 The Board appoints the Company Secretary, who plays an important advisory role. The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to governance practices and compliance with laws, rules, procedures and regulations affecting the Company and the Group. The Directors have unlimited access to the professional advice and services of the Company Secretary

2.10.2 The main roles and responsibilities of the Company Secretary include, but not limited to:

- a) managing process for all Board and Board Committee meeting logistics, attend and record minutes of all Board and Board Committee meetings and facilitate board communications;
- b) advising the Board on its roles and responsibilities;
- c) facilitating the induction programme for new Directors and assist in Directors' training and development;

- d) advising the Board on corporate disclosures and compliance in relation to the Companies Act 2016, securities regulations and listing requirements;
- e) managing processes pertaining to the annual shareholders' meeting;
- f) monitoring corporate governance developments and assists the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and
- g) serving as focal point for stakeholders' communication and engagement on corporate governance issues.

### **3.0 BOARD MATTERS RESERVED**

- 3.1 Matters reserved for the Board are clearly defined in the MHB Limits of Authority Manual, which provides a clear demarcation between the Board and Management reserved matters, and outlines the types of transactions, thresholds and the decision making process.

### **4.0 BOARD PROCESSES**

#### **4.1. Board Meetings**

- 4.1.1 The Board meets at least four (4) times annually and additional meetings are held as and when required. The quorum for a Board Meeting shall be three (3) Directors.
- 4.1.2 The mode of Board meeting shall be conducted physically through face-to-face or via telephone, video conferencing or other appropriate means as determined by the Board or by written resolution as stipulated in the Company's Constitution.

#### **4.2. Board Committee Meetings**

The BAC and BSRC meet at least four (4) times annually. The NRC meets at least twice (2) a year. These Board Committees may hold additional meetings as and when required.

#### **4.3. Financial Reporting**

The Board aims to present a balanced and meaningful assessment of the Company's financial performance primarily through the annual financial statements and quarterly announcement of financial results. The Board is assisted by the BAC to oversee the Company's financial reporting process and the quality of the financial reporting.

#### **4.4. Non-Financial Reporting**

Non-financial reporting by the Board is made through the annual report sections on Corporate Governance Overview Statement, Management Discussion & Analysis, Investor's Overview, Sustainability Statement and as well as other announcements by the Company on its website or press statements.

#### **4.5. Decision-making**

The Board makes decisions based on majority votes with each Director having one (1) vote. In case of an equality of votes, the Chairman shall have a second or casting vote.

#### **4.6. Monitoring**

The Board monitors the performance of the Company via the reports tabled at Board and Board Committee meetings and through regular engagements with the MD & CEO and the Management from time to time.

#### **4.7. Access to Advice and Information**

4.7.1 All Directors have direct access to Management and the Company Secretaries for advice and information related to the Company and the Group in discharging their duties.

4.7.2 The Board and/or individual directors may also seek independent professional advice at the Company's expense on specific issues to enable the Board to discharge its duties.

## **5.0 BOARD FUNCTIONS**

### **5.1. Policy & Strategy**

The Board has the responsibility for reviewing and approving the Company's strategic plans, targets and policies proposed by the Management. The Board is also responsible for monitoring and overseeing the effective implementation of the policies and plans.

### **5.2. Ethics & Compliance**

The MHB Code of Conduct and Business Ethics ("CoBE") which has been approved by the Board, is applicable to all employees and Directors within the MHB Group and governs the desired standard of behavior and ethical conduct expected of each individual to whom the CoBE applies. Benchmarked to international standards, CoBE together with the shared values will be the guiding principles on how the Board is expected to conduct itself in discharging its duties.

The Board has also established the MHB No Gift Policy which prohibits the receiving and offering of gifts to prevent corruption and unethical practices. Additionally, the Whistleblowing Policy provides an avenue for employees and members of the public to report any improper conduct within the Group.

The Board has also adopted the MHB Anti-Bribery and Corruption Policy and Guidelines ("ABC Manual") and is committed to upholding the policy and guidelines set out in the said ABC Manual. These policies are available on the Company's website: <https://mhb.com.my/>

### **5.3. Risk Management and Internal Control**

The Board acknowledges its responsibility in identifying the principal risks affecting the Company and ensuring the implementation of appropriate plans and a sound system of risk management and internal control to manage or mitigate these risks.

The Board has adopted a Risk Governance Framework to ensure all business risks are prudently identified, evaluated and managed in accordance with acceptable international standards, principles and guidelines on risk management. This includes, setting the risk

appetite, and identifying the risk parameters and thresholds and boundaries and monitoring the sustainability risk for the Company. The risk management process is conducted by the Risk Committee, under the purview of the BSRC.

The BAC, through MHB Group Internal Audit, periodically reviews and/or tests the adequacy and effectiveness of the Group's internal control system to ensure its robustness and effectiveness.

#### **5.4. Sustainability**

The Board is committed to formulating strategies that promote sustainability within the Company and ensuring that the Company's sustainability initiatives, priorities, targets and performance are effectively communicated to both internal and external stakeholders.

The Board is expected to stay abreast of and understand the sustainability-related and climate-related risks and opportunities relevant to the Company's business.

#### **5.5. Health, Safety, Environment**

The Board is committed to giving attention to strategies relating to the health, safety, security, environment and compliance with the relevant laws, rules and regulations.

#### **5.6. Investor Relations**

The Board maintains an effective investor relations policy which promotes timely disclosure and dissemination of relevant information to and effective engagement with the shareholders and the general investing public.

The Board shall ensure there is effective, transparent and regular communication with its stakeholders to facilitate mutual understanding of each other's objectives and expectations.

## **6.0 BOARD DEVELOPMENT**

### **6.1. Succession Planning**

6.1.1 The NRC assists the Board in annually reviewing the Directors' succession plan, which includes assessing the Board's required mix of skills, experience, and diversity, as well as evaluating the tenure of INEDs. It also reviews proposals for the retirement and/or re-election of Directors.

6.1.2 The Board also considers and deliberates on the succession plans of the MD & CEO and the Senior Management of the Company.

### **6.2. Board and Directors' Assessment**

The performance of the Board as a whole, as well as that of individual Directors, is assessed annually, with performance tracked against a yearly set of Board Key Performance Indicators ("KPIs"). A professional, experienced and independent expert(s) is to be engaged to facilitate the Board evaluation assessment, whenever the Board deems fit and necessary.

A disclosure on the Board's assessment will be included in the annual report, in compliance with the MMLR and MCCG requirements.

### **6.3. Directors' Compensation**

The remuneration for NEDs is generally determined based on industry practice and at levels which reflect the demand, skills, contributions and degree of responsibilities of the Directors as well as the performance of the Company.

### **6.4. Directors' Induction, Training and Development**

New Directors undergo a suitable induction programme to facilitate their onboarding process and ensure they are well-informed about the Company's operations and governance practices.

Directors are encouraged to participate in relevant training programmes to stay abreast of key developments and industry trends. In-house training sessions, tailored to meet the specific needs of the Directors, will be organised as part of the ongoing education programme. Additionally, the Company Secretary provides regular updates to the Board on new regulations and changes in the legal and regulatory landscape.

## **7.0 AMENDMENTS**

This Charter may be amended by the Board whenever necessary to ensure it remains aligned with the Board's objectives and is consistent with current laws, regulations, and best practices.

