MUHIBBAH ENGINEERING (M) BHD

(Company No: 197201001137 (12737-K)

("THE COMPANY") AND ITS SUBSIDIARIES ("THE GROUP")

BOARD CHARTER

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BOARD CHARTER

1. Purpose of the Board Charter

1.1 This Board Charter sets out the role, functions, composition, operation and processes of the Board of Directors ("the Board") and seeks to ensure that all Board members are aware of their duties and responsibilities as Board members and in accordance with various legislations and regulations affecting their conduct.

1.2 This Board Charter serves as a source reference and primary induction literature, providing insights to existing and prospective Board members to assist the Board in the performance of their fiduciary duties as Directors of the Company. It will also assist the Board in the assessment of its own performance and of its individual Directors.

2. Board of Directors

2.1 Composition and Balance

2.1.1 The composition and size of Board members are reviewed from time to time to ensure an appropriate balance of a wide range of business, technical, financial and public service background, skills, experience and gender diversity. This brings insightful depth and diversity to the leadership and management of the Group's business.

2.1.2 The Board shall comprise of not less than two (2) Directors nor more than twelve (12) Directors. At any time, at least half of Board members shall comprise of Independent Directors.

2.2 Reinforcement of Independence

2.2.1 An Independent Director means 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.

2.2.2 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 Board as Non-Independent Director. Should the Board intend to retain the Director as Independent Director after serving nine (9) years, justification and rationale will be tabled in AGM for shareholders' approval. If the Board continues to retain the independent Director after twelve (12) years, the Board should seek annual shareholders' approval through a two-tier voting process.

2.2.3 Under the two-tier voting process, shareholders' votes will be cast in the following manner:
Tier 1: Only the Large Shareholders vote.
Tier 2: Shareholders other than Large Shareholders vote.

2.2.4 Large Shareholder means a person who

- is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the company;
- is the largest shareholder of voting shares in the company;
- has the power to appoint or cause to be appointed a majority of the directors of the company; or
- has the power to make or cause to be made, decisions in respect of the business or administration of the company, and to give effect to such decisions or cause them to be given effect to.

2.2.5 The resolution is deemed successful if both Tier 1 and Tier 2 votes support the resolution.

2.2.6 The Board has also identified a Senior Independent Non-Executive Director to whom concerns regarding the Group may be conveyed.

2.2.7 The Senior Independent Non-Executive Director is acting as:

- an intermediary for other Directors when necessary; and
- the point of contact for shareholders and other stakeholders.

2.3 Appointment, Re-appointment and Re-election of Directors

2.3.1 One-third of the Directors (including the Managing Director and Chairman of the Board) shall retire from office and be eligible for re-election at each Annual General Meeting and all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. Director appointed during the year will be subject to retirement and re-election by shareholders at the Annual General Meeting.

2.3.2 The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nominating Committee ("NC"). In making these recommendations, the NC assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, character, professionalism, integrity, competencies, time commitment and other qualities, which the Director will bring to the Board.

2.3.3 The Board believes that diversity in the Board's composition will bring value to Board deliberation. The Board recognizes the benefit of diversity in gender and hence gender had been inherently considered in the recruitment and appointment of Directors. Currently, the Board has one (1) woman Director and the Board is comfortable with its current composition.

2.3.4 The Company has adopted an induction program for newly appointed Directors. The induction program aims at communicating to the newly appointed Directors, the Company's vision, corporate strategy and expectations of the Company concerning the new Director.

2.4 Directorships in Other Companies

2.4.1 Board members are required to declare their directorships in other companies to the Board. All Board members are expected to devote sufficient time to carry out their roles and responsibilities as Directors. The Board is of the opinion that provisions in the Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") are sufficient to ensure adequate commitment by the Directors to perform their duties, including devoting sufficient time to the Company without it being formally regulated.

2.5 Duties and Responsibilities of the Board

2.5.1 The Board assumes the following principal responsibilities in discharging its fiduciary and leadership functions:

- Oversee the conduct of the Group's businesses and financial performance to determine if the businesses are being properly managed;
- Review and adopt strategic plans/directions of the Company and the Group taking into account the sustainability of the Group's business and monitor the implementation of such plans/directions by the management;
- Review and adopt financial results of the Company and the Group as well as adequacy of financial information disclosure;
- Review the conduct and performance of major projects to determine whether they were properly managed;
- Assess and review principal risks affecting the Group and supervise the implementation of appropriate systems or processes to manage such risks effectively;
- Ensure there is a sound framework for internal controls and risk management;
- Review related party transactions;

- Establish and implement succession planning for the Directors and the Group's key senior management for purposes of business continuity. This includes ensuring implementation of appropriate systems for recruitment, training and retention;
- Review and adopt corporate strategy, business plans, major investment and financing; and
- Review material litigations, Group's order books, debt collection status, capital expenditure, borrowing and cash statuses.

2.5.2 The following matters which are specifically reserved for the Board's approval which include, among others, reviewing and approving the following:-

- material investments, material divestments, mergers and acquisitions, new ventures and corporate restructuring;
- material corporate proposals and fund raising exercises;
- material acquisitions and disposals of undertakings and properties, plant and equipment;
- changes of Board members, Board Committee members and the Company Secretaries;
- changes to the key management and control structure;
- corporate guarantees and parental guarantees;
- proposals for dividends; and
- any matters and/or transactions that fall within the ambit of the Board pursuant to the Companies Act, 2016, Listing Requirements of Bursa Malaysia Securities Berhad, Company's Constitution, Terms of Reference of the respective Board Committees, Group's Limits of Authority or any other applicable rule.

2.6 Chairman and Managing Director

2.6.1 The Board subscribes the principle that clear division of responsibilities between the Chairman of the Board and the Managing Director is beneficial to facilitate a check and balance mechanism for the effective functioning of the Board. The Chairman of the Board is a Senior Independent Non-Executive Director who is leading the Board in overseeing the management while the Managing Director focuses on the business and the day-to-day management of the Group. Such separation of roles and positions promotes accountability and ensures that there is a balance of power and authority in the Board's overseeing the management of the Company.

2.6.2 The responsibilities of the Chairman, amongst others, are as follows:

- To lead the Board and ensure its effectiveness of all aspects of its role;
- To ensure the efficient organization and conduct of the Board's functions and meetings;
- To facilitate the effective contribution of all Directors at Board meetings;
- To promote constructive and respectful relations between Directors, and between the Board and Management; and
- To ensure effective communication with shareholders and relevant stakeholders and that their views are communicated to the Board as a whole.
- To lead the Board in establishing and monitoring good corporate governance practices in the Company.
- To lead the Board in setting the values and standards of the Company.

- To set the Board agenda and ensuring that board minutes received complete and accurate information in a timely manner.

2.6.3 The responsibilities of the Managing Director, amongst others, are as follows:

- To develop and implement corporate strategies for the Group;
- To supervise heads of divisions and departments who are responsible for all functions contributing to the success of the Group;
- To ensure the efficiency and effectiveness of the operation for the Group; and
- To bring material and other relevant matters to the attention of the Board in an accurate and timely manner.

2.7 Board Committees

2.7.1 The following committees have been established to assist the Board to discharge its duties and responsibilities:

a. Audit Committee;
b. Nominating Committee;
c. Remuneration Committee; and
d. Share Issues Option Committee

2.7.2 The Board has delegated certain powers and duties to these committees, which operate within the defined Terms of Reference. The functions and Term of Reference of the Board committees are available on the Company's website and are reviewed from time to time to ensure that they remain relevant and up-to-date.

2.7.3 The final decision on all matters, however, lies with the entire Board. During the Board meetings, the Chairmen of the various Board committees provide recommendation made at the committee meetings and seek Board approval where appropriate and such reports or minutes will be included in the Board papers.

2.7.4 The Chairmen of the Board and the Audit Committee are not the same person.

2.8 Board Meetings

2.8.1 The Board shall conduct at least four (4) scheduled meetings a year, with additional meetings convened as and when necessary. Board meetings for the ensuing financial year are scheduled in advance at the end of the previous financial year in order for the Directors to plan ahead and record the next year's Board meeting into their respective schedule.

2.8.2 The quorum of Board meeting is two (2) members, present in person.

2.8.3 Proceedings of all meetings are minuted and confirmed by the Chairman of the meeting as correct proceedings thereat in the next scheduled Board meeting unless otherwise determined.

2.8.4 Directors' circular resolutions signed by all Directors shall be as effective for all purposes as a resolution passed at a meeting of the Directors duly convened, held and constituted. In case any Director is absent from Malaysia, a resolution signed by all the other Directors (not being less than two (2)), shall be valid and effectual.

2.8.5 The duly signed minutes and directors' circular resolutions are to be recorded in the Company's minutes book. Actions on all matters arising from any meeting are reported at the following meeting.

2.9 Access to Information and Advice

2.9.1 Due notice is given to the Directors prior to each Board and Board Committee meetings. Each Director is provided with the agenda and a full set of Board papers providing details on operational, financial, safety and corporate developments and other relevant documents prior to each meeting with the aim of enabling the Directors to make well-informed decisions on matters arising at the meetings.

2.9.2 The appointment of the Company Secretary is based on the capability and proficiency determined by the Board. The Company Secretaries are responsible for ensuring that the secretarial function provides adequate support to the Board and the Board Committees. The Company Secretaries are accessible at all times to provide the Directors with the appropriate advice and services and also to ensure that the relevant procedures, policies and all applicable rules and regulations are complied with.

2.9.3 In addition, the Directors have authority to access all information within the Company in furtherance of their duties as well as to the advice and services of the Senior Management of the Company. They are also empowered to seek external independent professional advice in connection with their roles as a Director at the Company's expense, to enable them to make well-informed decision.

2.10 Directors' Training

2.10.1 Training for Directors shall be provided consistently so as to ensure that they are kept up to date on latest developments in relevant laws and business practices and to enable them to discharge their duties effectively.

2.10.2 An induction briefing is provided by the Board and Senior Management to any newly appointed Independent Non-Executive Directors to provide them with in-depth knowledge of the Group's businesses and strategies.

2.10.3 The Board shall evaluate and determine the training needs of its Directors on an on-going basis, by determining the areas that would best strengthen their contribution to the Board.

3. Directors' Remuneration

3.1 In accordance with its Terms and Reference, the Remuneration Committee will review the remuneration packages and benefits of the Executive Directors and Senior Management in accordance with the performance, contribution and level of responsibilities undertaken by the Board. Executive Directors and Senior Management do not participate in deliberations and decisions on their own remuneration.

3.2 The Non-Executive Directors' fees are also reviewed based on their experience and level of responsibilities and recommended for Board's approval. The individual Non-Executive Directors concerned will abstain from discussion and voting on decisions in respect of their own remuneration packages.

3.3 Remuneration comparison with other companies for similar positions among other Malaysian public listed companies within the similar industries has been performed on an annual basis to ensure that the remuneration of the Directors remain competitive with the market and consistent with their duties and responsibilities.

4. Investor Relations and Shareholders Communication

4.1 The Board recognizes the importance of maintaining effective communication with its investors and shareholders. An Investor Relations and Shareholder Communication Policy have been adopted by the Board to enable the Group and the Company to communicate effectively with its shareholders, existing and potential investors, other stakeholders and public generally. An Investor Relations function has been established to facilitate communication between the Company and its existing shareholders and potential investors.

4.2 The Investor Relations function communicate with the shareholders and investors through periodic roadshows and investors briefing both locally and abroad, with fund managers, institutional investors and research analysts. Information such as the Group's performance, strategy and major development are presented and explained during these investors briefing.

4.3 Apart from the mandatory announcement of the Group's financial results and corporate developments to Bursa Securities, the Group maintains a website (www.muhibbah.com) that allows all shareholders to gain access to information and business activities and recent developments of the Group and for feedback.

4.4 The Annual General Meeting is an important forum and primary channel where communications with shareholders can be effectively conducted. Shareholders are encouraged to attend and participate at the meeting by raising questions on resolutions proposed and to enquire on the Company's progress and performance. External auditors will also be invited to attend the Annual General Meeting to provide independent clarification on issues relating to the conduct of audit and Auditors' Report.

4.5 With effect from 1 July 2016, the Main Market Listing Requirements of Bursa Securities provides that all resolutions set out in the notice of general meetings, shall be voted by poll. In addition, an Independent Scrutineer must be appointed to validate the votes cast at the meetings. The voting results of the general meeting will be announced in a timely manner via Bursa Securities. Hence, voting for all the resolutions as set out in the forthcoming and future general meetings will be conducted as such.

5. Communication with Stakeholders

5.1 The Board acknowledges that employees are valuable assets of the Company and play a vital role in achieving the mission of the Company. The Company adopts comprehensive and documented policies and procedures with respect to Occupational Safety and Health ("OSH") with the objective of providing a safe and healthy working environment for all employees.

5.2 On Corporate Social Responsibility ("CSR"), the Board acknowledges that the Company should pay a vital role in contributing towards the welfare of the community in which it operates.

6. Codes of Conduct and Ethics

6.1 The Board is committed to ensuring that all its business activities operate with the good standards of business ethics and integrity as summarized in the Company's code on business practices, which are applicable Group-wide. The key principles of the Company's code on business practices include managing conflict of interest, insider trading, money laundering, unethical practices, exercise caution and due care in safeguarding the Company's assets and confidential information.

6.2 The Board will review the Code regularly to ensure that it continues to remain relevant and appropriate. The Code on business practices is made available for reference on the Company's website at www.muhibbah.com.

7. Application

7.1 The principles set out in this Chapter are:

a. kept under review and updated as practices on Corporate Governance develop and further guidelines on Corporate Governance issued by the relevant regulatory authorities from time to time; and

b. applied in practice having regard to their spirit and general principles rather than to the letter alone.

c. summarized in the Annual Report as part of a narrative statement by the Directors on Corporate Governance.

7.2 The Board endeavours to comply at all times with the principles and practices set out in this Charter.

8. Review of the Board Charter

8.1 The Board Charter has been adopted by the Board. Any subsequent amendment to the Charter must be approved by the Board.

8.2 The Board Charter will be periodically reviewed by the Board and updated in accordance with needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

8.3 The Board Charter is made available for reference on the Company's website at www.muhibbah.com