

TURBO-MECH BERHAD

POLICY STATEMENT

ON

BOARD CHARTER

BOARD OF DIRECTORS

CHARTER

Part 1 Definition

1.1 In this Charter:

“Act” means the Companies Act, 2016

“Board” means the Board of Directors of the Company;

“Business” means the business of the Company and its group of companies;

“CEO” means the chief executive officer of the Company and its group of companies;

“Chairman” means the Chairman of the Board and is used in a gender neutral sense;

“Company” means Turbo-Mech Berhad;

“Company Goals” means the goals of the Company and its Group as set out in Part 2;

“Group” means the companies within the Turbo-Mech Berhad;

“Management” means the management personnel of the Company and the Group;

“Management Limitations” means the limitations on the actions of Management as set out in paragraph 4.3;

“Directors” means the Directors of the Company;

“Secretary” means the Company Secretary or the person normally exercising the functions of a Company Secretary;

“Shareholders” means the shareholders of the Company.

Part 2 Company Goals, objective and strategies

2.1 General

2.1.1 The Company is to excel as a highly efficient and profitable investment holding company which are major investment on supply and maintenance of rotating equipment for the oil, gas and petrochemical industries through the following core values:-

- To commit to excel in every aspect of our operation in pursuit of total customer satisfaction in our products and services;
- To endeavor to create a challenging and rewarding career environment encouraging our employees to realize their optimum potential;
- To develop and establish a reliable and mutually beneficial relationship with our business partners and associates; and
- To strive to be a caring and responsible corporate citizen and assure equitable return to our Shareholders.

2.1.2 The capital and resources of the Company and the Group will be allocated to those assets and activities, which will enable it to achieve the Company Goals in a manner best serving the interests of the Shareholders as a whole.

Part 3 Board Governance Process

3.1 Role of the Board

3.1.1 The Board is primarily responsible for the proper stewardship of the Company and its subsidiaries (collectively known as Group) and to effectively represent, and promote the interests of, the Shareholders with a view to adding long-term value to the Company's shares.

3.1.2 In line with Recommendation 1.1 of the Malaysian Code on Corporate Governance 2017 ("MCCG"), the Board will direct, and supervise the management of, the Business and affairs of the Company and the Group including, in particular:

- ensuring that the Company Goals are clearly established, and that strategies are in place for achieving them;
- establishing policies for strengthening the performance of the Company and the Group including ensuring that Management is proactively

seeking to build the Business through innovation, initiative, technology, new products and the development of its business capital;

- reviewing, challenge and decide on Management proposals for the Company, and monitor its implementation by Management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment with the Company;
- ensuring the senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession planning of the Board and senior management;
- deciding on whatever steps are necessary to protect the Company and the Group's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that the Company and the Group's financial statements are true and fair and conform with law;
- monitoring the financial performance of the Company and the Group including adopting annual budget and approving the Company and the Group's financial statements;
- approving and monitoring the progress of capital expenditures, capital management acquisitions and divestitures;
- ensuring that adequate systems of internal compliance and control exist and are appropriately monitored for compliance;
- ensuring that the Company adheres to high standards of ethics and corporate behaviour;
- identify principal risks and set up the Group's risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial crisis;
- review and approve the Board Audit Committee Report and the Statement of Risk Management and Internal Control for the Annual Report;

- review and approve the Financial Statements which includes the Audited Accounts and quarterly reports, dividend policy, credit facilities from financial institutions and guarantees; and
- disclosure of information to shareholders, Bursa Securities Malaysia Berhad (“Bursa Securities”) and any other regulatory bodies.

3.1.3 The Board should adopt an effective communication policy in respect of its communication with its shareholders and potential investors. Some of the communication channels used by the Company to disseminate information on a timely basis to the shareholders are:-

- Company’s announcements to Bursa Malaysia Securities Berhad
- Press releases
- Company’s website
- General meetings.

3.1.4 The Board shall ensure timely release of financial results on a quarterly basis to provide the shareholders with an overview of the Company and the Group’s performance and operations.

3.1.5 In the normal course of events, day-to-day management of the Company and the Group will be in the hands of Management and under the stewardship of the CEO.

3.1.6 The Board will satisfy itself that the Company is achieving the Company Goals.

3.2 Board Training and Development

3.2.1 In addition to the Mandatory Accreditation Programme as required by Bursa Securities, the Directors are encouraged to attend various training programmes and to participate in site visits at business locations to constantly update their knowledge as well as enhance their skills. This will enable Directors to effectively discharge their duties and keep abreast with industrial sector issues, developments in the industry and global market, management strategies and regulatory laws, rules as well as guidelines and which are relevant to the Company and the Group’s operations and Business.

3.2.2 All trainings attended by Directors shall be disclosed in the Annual Report. In special circumstances, valid justifications for non-attendance at any of the trainings shall also be disclosed.

3.3 The Board's Relationship with Shareholders

- 3.3.1 The Board will use its best endeavors to familiarize itself with issues of concern to Shareholders.
- 3.3.2 The Board will regularly evaluate economic, political, social and legal issues and any other relevant external matters that may influence or affect the development of the Business or the interests of Shareholders and, if thought appropriate, will engage external expert advice on these matters.

3.4 Board Procedures

- 3.4.1 The conduct of Directors will be consistent with their duties and responsibilities to the Company and, indirectly, to Shareholders. The Board will be disciplined in carrying out its role, with the emphasis on strategic issues and policy. Directors will always act within any limitations imposed by the Board on its activities.
- 3.4.2 Directors will endeavour their best to attend Board meetings. Directors are expected to participate fully and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board. Directors unable to attend a meeting will advise the Chairman at an earlier date as possible and confirm in writing to the Secretary.
- 3.4.3 Board discussions will be open and constructive, recognizing that genuinely held differences of opinion could bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus in the Board but may, where consider necessary, call for a vote. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by law. Subject to legal or regulatory requirements the Board will decide the manner and timing of the publication of its decisions.
- 3.4.4 Executive Directors attend Board meetings to discharge their Board responsibilities. At Board meetings, Board responsibilities supersede all executive responsibilities.
- 3.4.5 The Board has sole authority over its agenda and exercises this through the Chairman. Any Director may, through the Chairman, request an addition item to be included in the agenda. The Chairman in consultation with the CEO and the Secretary will set the agenda.

3.4.6 The Board will normally hold meetings at least four times in each financial year and will hold additional meetings as the situation requires.

3.4.7 Directors are entitled to have access, at all reasonable times, to all relevant company information and to Management.

3.4.8 Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company and the Group. If any matter is to be discussed at a meeting of the Board which would involve one or more Directors having a conflict of interest, then those Directors:-

- Shall declare that conflict of interest;
- Shall not receive the relevant papers;
- Shall not be present at the meeting when the matter is being considered; and. If requested by other non-interested directors, may attend the meeting to explain/clarify issues raised by non-interested directors and otherwise shall abstain from any deliberation on the matters
- Shall not participate in any discussion and decision on the matter.

3.4.9 Directors are expected to act in accordance with applicable law, the Company's Articles and Association and/or Company Constitution and the Company's Code of Conduct and Ethics.

3.4.10 Directors are expected to strictly observe confidentiality of company and the Group information.

3.4.11 Directors may hold shares in the Company. Any transactions involving the shares of the Company be it buying, selling or transfer to third party, Board members must strictly observe the disclosure requirements and/or provisions under the Company Act 2017, MMLR and all other relevant legislative and regulatory requirements.

3.4.12 In making policy, the Board will not reach specific decisions unless it has considered more general principles upon which they are founded, and in reaching other specific decisions, the Board will consider the policies against which the decisions are made.

3.5 Chairman

3.5.1 The Board will appoint a Chairman from among the Directors. In addition, the Board may also appoint a Deputy Chairman.

3.5.2 Both the Chairman and Deputy Chairman may be an executive or non-executive Director. The Deputy Chairman will deputise for the Chairman in his absence or at his request.

3.5.3 The Chairman is responsible for representing the Board to Shareholders.

3.5.4 The Chairman is responsible for ensuring the integrity and effectiveness of the governance process of the Board as set out in this Part 3.

3.5.5 The Chairman is responsible for maintaining regular dialogue with the CEO over all operational matters and will consult with the remainder of the Board promptly over any matter that gives him cause for major concern.

3.5.6 The Chairman will act as facilitator at meetings of the Board to ensure that no Directors, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among Directors is forthcoming.

3.6 Board Committees

3.6.1 Board committees will be formed only when it is efficient or necessary to facilitate efficient decision-making.

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

3.6.3 Board committees will only speak or act for the Board when so authorized.

3.7 Board Composition

3.7.1 The composition of the Board will reflect the duties and responsibilities it is to discharge and perform as representative of the interests of Shareholders, and in setting the Company's strategy and seeing that it is implemented.

3.7.2 Generally, the qualifications for Board membership are the ability and intelligence to make sensible business decisions and recommendations, an entrepreneurial talent for contributing to the creation of Shareholder value, the ability to see the wider picture, the ability to ask the hard questions, preferably some experience in the industry sector, high ethical standards, sound practical sense, and a total commitment to furthering the interests of Shareholders and the achievement of the Company Goals.

3.7.3 Non-executive Directors will be active in areas which enable them to relate to the strategies of the Company and to make a meaningful contribution to the Board's deliberations. They will be independent of Management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. To be effective, independent

non-executive Directors should make up at least one third of the Board membership.

3.7.4 The size of the Board will be such that involvement, participation, harmony and sense of responsibility of the Directors are not jeopardized. It must be large enough to ensure a range of knowledge, views and experience. Generally in addition to the requirement that one third of the Board should comprise of independent non-executive Directors, the Board should include a number of Directors which fairly reflects the investment in the Company by Shareholders other than the significant Shareholders.

3.7.5 Directors appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company but shall be eligible for re-election.

3.7.6 Directors shall retire from office at least once every three years but shall be eligible for re-election.

3.7.7 Only Executive Directors will be engaged on service contracts. The tenure of the service contract and all extension thereafter, must not be longer than a continuous period of three years. Upon the expiry of his tenure, the Board may also, with the recommendation of the nomination committee and if it considers appropriate, appoint him as a non executive Director until the conclusion of the next annual general meeting, whereby he shall be eligible to offer himself for re-election.

3.7.8 In the event of an executive Director's service contract with the Company is terminated for whatever reason, the Director is expected to resign from the Board.

3.7.9 If the service contract is terminated for reasons other than the expiry of the contract, or inflicted/ caused by himself, or due to breach of the service contract or law, he shall be compensated a sum equivalent to the amount payable to him for the remaining tenure.

3.7.10 The Board shall also appoint from amongst its Board members an Independent Non-Executive Director to be called Senior Independent Non-Executive Director ("SID"), to whom concerns from the other Directors, staff, members of the public or investors may be conveyed. Inquiries or complaints about decisions or actions taken by the Group should be addressed to the SID.

3.7.11 The SID shall have the specific responsibilities which include, to:-

- To act as a sounding Board for the Chairman;
- To act as an intermediary for other Directors when necessary;
- The point of contact for shareholders and other stakeholders.

3.8 Provision of Business or Professional Services by Directors

3.8.1 Generally, Directors shall not provide business or professional services of an ongoing nature to the Company.

3.8.2 Notwithstanding the general rule, the Company is at liberty to:

- for the purpose of a special assignment, engage the services of any Director having special expertise in the particular field; or
- engage the services of a party related to a Director of an organization.

so long as the terms of engagement are competitive, are clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

3.9 Board Appointment

3.9.1 The appointment of a new Director is a matter for consideration and decision by the Board upon appropriate recommendation from the Board Nomination and Remuneration Committee (“BNRC”).

3.9.2 The screening and evaluation process for potential new directors and directors to be nominated for re-election are delegated to the BNRC.

3.9.3 In making the selection, the Board as assisted by the BNRC, also considers the following aspects:-

- Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
- Competence and capability – the person must have the necessary skills, ability and commitment to carry out the role.
- Financial integrity – the person must manage his/her debts or financial affairs prudently.
- In the case of candidates for the position of Independent Non-Executive Directors, the candidates’ ability to discharge such responsibilities/ functions as are expected from Independent Non-Executive Directors shall be evaluated.

3.9.4 On the appointment of a new director, the new director is required to commit sufficient time to attend to the Company’s meetings and matters before accepting his/her appointment to the Board. Pursuant to the MCCG, Board members are expected to achieve at least 50% attendance of the total Board Meetings in any applicable financial year with appropriate

leave of absence be notified to the Chairman of the Board and/or Company Secretary, where applicable.

- 3.9.5 The Board shall be responsible for recommending its members for re-election by the shareholders. Independent Non-Executive Directors are required to confirm their independence periodically while they remain in office.

3.10 Independent Professional Advice

- 3.10.1 Any Director is entitled to obtain independent professional advice relating to the affairs of the Company or to his or her other responsibilities as a Director.
- 3.10.2 If a Director considers such advice is necessary he shall first discuss it with the Chairman and, having done so, shall be free to proceed.
- 3.10.3 Subject to the prior approval of the Chairman, the cost of the advice will be reimbursed by the Company but the Directors will ensure, so far as is practicable, that the cost is reasonable.

3.11 Board and Member Evaluations

- 3.11.1 The Board will, each year, critically evaluate its own performance. The Board keeps its own performance under review. This includes a formal review, such as an annual review and self/peer assessment process that:
- Compare the performance of the Board with the requirements of this Charter;
 - Sets forth the goals and objectives of the Board for the upcoming year; and
 - Effects any improvements to this Charter that are necessary or desirable.
- 3.11.2 Individual Director will be evaluated by a process whereby the Board determines questions to be asked of each Director about him or herself and about each other including the Chairman, and the responses are collected and collated by the Chairman through Nomination Committee who then discusses the results with each Director. The Chairman's own position is discussed with the Deputy Chairman and/or the rest of the Board.

3.12 Remuneration

- 3.12.1 Both Executive and Non-Executive Directors' remuneration are deliberated by the Remuneration Committee and be recommended to the Board for its approval.
- 3.12.2 Non-Executive Directors will be paid a basic fee as ordinary remuneration and for their attendances at meetings. The fee which is subject to the approval of the shareholders shall be fixed in sum and not by a commission or percentage of profits/turnover.
- 3.12.3 Directors' fees and benefits payable to Directors are subject to shareholders' approval at annual general meetings.

3.13 The Secretary

- 3.13.1 The appointment and removal of the Secretary shall be a matter of the Board as a whole.
- 3.13.2 The Secretary is responsible for ensuring that Board 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.
- 3.13.3 All Directors, particularly the Chairman, have access to the advice and services of the Secretary for the purposes of the Board's affairs and the Business.
- 3.13.4 The primary responsibilities of the Company Secretary shall include the following:-
- Manages all Board and Board Committees' meetings logistics, attend and record minutes of all Board and committee meetings and facilitate board communications;
 - Advises the Board on its roles and responsibilities;
 - Advises the Board on corporate disclosures and compliance with company and securities regulations and listing requirements;
 - Manages processes pertaining to the annual shareholders' meeting;
 - Ensures that Board procedures and applicable rules are observed; and
 - Maintains records of the Board and ensures effective management of the organisation's records;
 - Prepares minutes to document Board and Board Committees' proceedings and ensures conclusions are accurately recorded; and

- Ensures timely dissemination of information relevant to Directors' roles and functions and keeps them updated on new or evolving regulatory requirements.

Part 4 Board-Management Relationship

4.1 Role of CEO

- 4.1.1 The Board will link the Company's governance and management functions through the CEO.
- 4.1.2 All Board authority conferred on Management is delegated through the CEO so that the authority and accountability of Management is considered to be the authority and accountability of the CEO so far as the Board is concerned.
- 4.1.3 The Board will agree with the CEO to achieve specific results directed towards the Company Goals. This will usually take the form of an annual performance contract under which the CEO is authorized to make any decision and take any action within the Management Limitations, directed at achieving the Company Goals.
- 4.1.4 The Chairman maintains an informal link between the Board and the CEO and is available to the CEO to provide counsel and advice where appropriate. The CEO is expected to keep the Chairman and the Board informed on important matters.
- 4.1.5 Only decisions of the Board acting as a body are binding on the CEO. Decisions or instructions of individual Directors, officers or committees are not binding except in those instances where specific authorization is given by the Board.

4.2 Accountability of CEO to Board

- 4.2.1 The CEO, in association with the Chairman, is accountable to the Board for the achievement of the Company Goals and the CEO is accountable for the observance of the Management Limitations.

4.3 Management Limitations

- 4.3.1 The CEO is expected to act within all specific authorities delegated to him by the Board.

- 4.3.2 The CEO is expected not to cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics.
- 4.3.3 In allocating the capital and resources of the Company and the Group, the CEO is expected to adhere to the Company Goals.
- 4.3.4 The CEO is expected not to cause or permit any action without taking into account the health, safety, environment and political consequences and their effect on long-term shareholder value.
- 4.3.5 The CEO is expected not to cause or permit any action that is likely to result in the Company and the Group becoming financially embarrassed.
- 4.3.6 The assets of the Company and the Group are expected to be adequately maintained and protected, and not unnecessarily placed at risk. In particular, the Company and the Group must be operated with a comprehensive system of internal control, and assets of funds must not be received, processed or disbursed without controls that, as a minimum, are sufficient to meet standards acceptable to the Company's external auditors.
- 4.3.7 The CEO is expected not to permit employees and other parties working for the Company and the Group to be subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe.
- 4.3.8 The CEO is expected not to cause or permit payments to be made or rewards given unless they are in return for contributions towards the purposes of the Business and are proportional to the extent that the contribution in question has furthered such purposes.

4.4 Role of Chairman

- 4.4.1 The Chairman is principally responsible for the working of the Board which include: -
- Providing overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions.
 - Participating in the selection of Board members and ensuring that the membership is properly balanced.
 - Setting agenda for Board meetings, usually in consultation or discussion with the CEO and Secretary. The Chairman should ensure that the agenda and all necessary background papers are given to Directors in

sufficient time to enable the papers to be adequately considered before the meeting.

- Chairing meetings of the Board in such a manner that will stimulate debate on the issues before the Board and encourage the most effective contribution from each Director.
- 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.
- Monitoring and evaluating the individual performance of Directors and the Board as a whole.
- Ensure the Company provides an orientation and education program for new directors.
- Ensure that complete, timely and clear information on the Company and/or Group affairs are provided to the Board.
- Ensure that the advice of the Company Secretary on compliance, procedures and rules are considered and acted upon.
- Initiating, normally in consultation and discussion with the CEO, 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.
- Initiating the establishment of Board Committees and ensuring that they achieve their objectives.
- Fostering high corporate governance

4.4.2 The Chairman acts as an informal link between the Board and Management and particularly between the Board and the CEO. No company is likely to run effectively and efficiently unless there is a good working relationship between the Chairman and the CEO.

The Chairman, along with all other Directors, should recognize that the CEO is the leader of the Company in all matters of Management and should not expect to become involved in the Company's day-to-day operations. It is the CEO responsibility to report to the Board as a whole and not just to the Chairman.

The Chairman expects to be kept informed by the CEO of all important matters and makes himself available to the CEO –

- to be part of the control mechanism in ensuring that the CEO's decisions are properly considered and sound;
- to give assistance and advice when needed especially on sensitive matters which the CEO feels unable to discuss with other executives;
- to ensure that the CEO understands properly and performs his side of the relationship; and
- to oversee Management establishes adequate control mechanism to cover compliance responsibilities and risk management.

4.4.3 The Board communicates with Shareholders at Shareholders' meetings and through the distribution of its annual reports. The Chairman normally chairs these meetings where he will use this as an opportunity to inform Shareholders of the Company's affair including its performance.

This role calls for special skills and personal qualities that allow and encourage shareholders to have their say while remaining relevant to the matter at issue, and the Chairman must also have capability to summarize and unify thoughts and ideas and in control of the meeting.

4.4.4 The Chairman also lead the role in presenting the Company's cause, whether formally or informally, with the authorities, institutional or potential investors and those having influence on the environment in which the Company operates.

Part 5 Revision and Updates

This Board Charter will be reviewed and updated once in every two years. Any intervening changes or additions will be by way of circular and memos.