

MERCURY INDUSTRIES BERHAD

BOARD CHARTER

1. PURPOSE OF CHARTER

The Board Charter sets out the role, composition and responsibilities of the Board of Directors (“the Board”) of **MERCURY INDUSTRIES BERHAD** (“the Company”) and the key elements of governance principles guiding the business culture and strategic initiatives of the Company.

The conduct of the Board is also governed by the Constitution of the Company, a copy of which is located at the registered office of the Company situated at Lot 5, Level 10, Menara Great Eastern 2, No. 50 Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

2. PURPOSE OF THE BOARD

The Board has two broad purposes, compliance and performance:

2.1 COMPLIANCE: Conform with Applicable Legal Requirements

Legal

- monitor constitution and regulations
- comply with applicable laws and requirements, guidelines, code of conduct and business or industry practices
- comply with Directors’ duties and responsibilities

Accountability

- monitor financials and ensure integrity in financial information
- safeguard and maintain accountability of assets

2.2 PERFORMANCE: Assist the Company to Perform to Its Best Potential

Business Plan and Policy

- approve business plan and policies, monitor and evaluate them regularly

Accountability

- assess and review overall performance of the Company and its subsidiaries (“the Group”)
- undertake board evaluation and consider succession planning
- communicate and disseminate timely and adequate information to stakeholders
- retain full and effective control over the Company and monitor Management in implementing Board decisions and strategies

Public Relations

- keep stakeholders informed and protect the interests of stakeholders
- project a strong and positive image of the Company
- speak with one voice regarding Board decisions
- provide feedback link on the Company’s website
- In facilitating interaction between the shareholders and the Company, concerns may be directed to the Senior Independent Non-Executive Director of the Company.

Risk Management and Internal Control

- responsible for the Group's sound system of risk management and internal control; review and ensure its effectiveness, adequacy, competency and integrity through the process of constant monitoring including those in relation to anti-bribery and anti-corruption, evaluating their effectiveness and identifying and rectifying significant deficiencies;
- monitor critical and high risk areas and implementation actions;
- prevent and detect material misstatement and loss.

3. ROLES AND RESPONSIBILITIES

- 3.1 The Board has delegated authority for the day-to-day operations and administration of the Group to the Managing Director ("MD").
- 3.2 The key functions of the Board are to provide effective leadership and collaborate with the Management team in:
 - articulating the Company's business plan and policies
 - ensuring appropriate balance of power and authority on the Board
- 3.3 Monitor the performance of Management team against agreed key performance indicators.
- 3.4 Review the strategic business plans proposed by the Management team and monitor the achievement of the business plans on a periodic basis.
- 3.5 Ensure that all significant systems and procedures are in place for the Company to run effectively, efficiently, and meet all legal and contractual requirements.
- 3.6 Ensure that all significant risks are adequately considered and accounted for by the Management team through implementation of proper system of risk management and internal control.
- 3.7 Ensure that the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility.
- 3.8 Determine, establish and review policies, procedures and processes that address risk management, communication channels between stakeholders,
- 3.9 Conflict of interests involving directors or related parties and applicable compliance issues within the Company.
- 3.10 Approving and monitoring financial and other reporting of financial and non-financial information to the market, shareholders and other stakeholders.
- 3.11 In conjunction with the above stated roles, the following matters shall strictly be reserved for the consideration and decision of the Board:
 - Group Policy Manual
 - Strategic directions of the Group covering Economic, Environmental and Social Impacts
 - Annual budget and business plan
 - Mergers, acquisitions and divestments
 - Related Party Transactions
 - Approval of financial results
 - Declaration of dividends

- Risk appetite setting
- Appointment of MD and/or executive director(s)
- Remuneration package of the MD and other directors

3.12 Establish such Board Committees which will facilitate the more effective discharge of the Board's roles and responsibilities such as:

a) Nomination Committee

The Nomination Committee assists the Board in regard to:

- Review regularly the Board structure, size and composition and make recommendations to the Board with regard to any appointment, re-elections that are deemed necessary.
- Review annually the Board's mix of skills and experience and other qualities including core competencies which non-executive director should bring to the Board.
- To recommend any Directors' training needs for continuing development.
- Recommend to the Board, Directors to fill the seats on Board Committees.
- Review annually the succession plans for the Senior Management and Board, where appropriate.
- To formulate, develop, maintain and review criteria to be used for recruitment process, annual assessment of Directors including assessment of independence.

b) Remuneration Committee

The Remuneration Committee assists the Board in regard to:

- Recommend to the Board the framework of MD's remuneration and the remuneration package for each Executive Director, if any.
- Recommend to the Board any performance related pay schemes for MD.
- Review of MD's scope of service contracts.
- To consider the appointment of the services of such advisers or consultants as it deems necessary to fulfill its functions.

c) Audit Committee

The Audit Committee assists the Board in regard to financial reporting, audit and risk management and internal control, including:

- Review audit plan and audit report
- Ensure transparency, integrity and proper disclosure in the quarterly results and financial statements in order to comply with legal and regulatory obligations.
- Ensure the effectiveness of the Group's risk management and internal control framework.
- Oversee the independence of the external and internal auditors.
- Review any related party transaction and conflict of interest or potential conflict of interest situation(s) that arose, persist or may arise within the Company and/or the Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts.
- To perform any other functions or duties as may be agreed to by the Committee and the Board.
- To evaluate and consider the appointment or re-appointment of the external auditor, the audit fee and any questions of resignation or dismissal.

- viii) To evaluate and consider the appointment or re-appointment of the internal auditor, the internal audit fee and any questions of resignation or dismissal.
- 3.13 Ensure, through the Board Committees and other such sub-committees as appropriate, compliance obligations and functions are effectively discharged.
- 3.14 Initiate a performance self-evaluation system to assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director including the chief executive officer and chief financial officer (or any other key management staff in such capacities).
- 3.15 Arrange for directors to attend training courses, seminars and participate in development programs as the Board deems appropriate.
- 3.16 Monitor the information needs of the Board and the Board should have unrestricted access to all information, documents and records of the Group which will facilitate informed decisions.
- 3.17 Ensure suitably qualified and competent Company Secretary is appointed who can support the Board in the effective discharge of its roles and responsibilities.
- 3.18 Ensure that a suitably qualified public accounting firm is appointed as External Auditor and to review its subsequent re-appointment or replacement.
- 3.19 Ensure that a suitably qualified and competent risk management firm is appointed as Internal Auditor to review and report on the Group's risk management and internal control system.
- 3.20 To ensure compliance with all applicable legal and regulatory obligations including compliance with all applicable anti-bribery and anti-corruption laws by the Group and the Board.

4. MEMBERSHIP AND TERM

- 4.1 The Constitution provides for a maximum of nine (9) directors and a minimum of two (2) directors on the Board.
- 4.2 The composition of the Board is also subject to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad in particularly the requirement on number of independent directors.
- 4.3 Directors are required to disclose to the Board any interest, whether direct or indirect, in any business, transaction or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group. All declaration of interest by the Directors must be recorded and documented.
- 4.4 Membership of the Board shall be disclosed in the annual report including whether a director is independent or not independent. According to the Constitution, each director is subject to re-election every three (3) years.
- 4.5 The tenure of an Independent Non-Executive Director shall not exceed a cumulative term of 9 years. After a cumulative term of 9 years, an Independent Non-Executive Director may continue to serve on the Board as a Non-Independent Non-Executive Director. If the Board intends to retain an Independent Director beyond 9 years, it should provide justification and seek annual shareholders' approval through a two-

tier voting process. Under the two-tier voting process, shareholders' votes will be cast in the following manner at the same shareholders' meeting:

- Tier 1: Only the Large Shareholder(s) of the Company votes.
- Tier 2: Shareholders other than Large Shareholder(s) votes.

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; or
- is the largest shareholder of voting shares in the Company; or
- 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.

The decision for the resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than one Large Shareholder, a simple majority of votes determine the outcome of the Tier 1 vote.

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

However, the resolution is deemed to be defeated where the vote between the two tiers differs or where Tier 1 voter(s) abstained from voting.

5. ROLES OF CHAIRMAN, MD AND SENIOR INDEPENDENT DIRECTOR ("SID")

The roles of the Chairman and MD are strictly separated to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the MD has overall responsibilities for the day to day management of the business, the implementation of the Board policies and decisions and the achievement of performance objectives.

The Board approves the appointment of a SID to act as an additional safeguard and to serve as a fallback point of contact for investors and shareholders when the normal channel of communication is considered to be inappropriate or inadequate

5.1 The Chairman of the Board is responsible for:

- overseeing and developing the Company's business plan;
- ensuring operations conform with the Board's strategic directions, views and corporate policies;
- ensure the development and effective performance of the Directors on the Board;
- providing leadership to the Board for all aspects of the Board's roles and responsibilities;
- playing a role in the Company's external relationships with stakeholders;
- Sets the board agenda and ensures that board members receive complete and accurate information in a timely manner;
- Leads board meetings and discussions;
- Encourages active participation and allows dissenting views to be freely expressed;
- Manages the interface between board and management;

- Leads the board in establishing and monitoring good corporate governance practices in the company.

5.2 The MD is responsible for:

- executing the policy direction and operations of the Company
- the efficient and effective day-to-day operations of the Group
- bringing material issues and other relevant matters to the attention of the Board in an accurate and timely manner
- the effective management of the human resources of the Company according to authorized personnel policies and procedures
- the facilitating of the communication and understanding between Management and the Board

5.3 The SID role includes:

- being the contact person between shareholders and other stakeholders in respect of any query or clarification required on any major issue in relation to the financial performance, business and prospects or generally relating to the Group, which may be directed to him
- being the contact person for whistle-blowing by any employee or third party in respect of improper act, misconduct, criminal offences or other irregularities within the Group
- being an intermediary for other directors when necessary.

6. BOARD QUALITIES

6.1 Culture

The Board actively seeks to have an 'engaged culture' which is characterized by transparency and willingness to challenge and change.

6.2 Corporate Governance

- Believe that effective corporate governance structures encourage the creation of value, through entrepreneurialism, innovation, development and exploration, and provide accountability and control systems commensurate with the risks involved.
- The Board should continually ensure that the Company stay abreast of the local and international developments and promote high standards of transparency about the corporate governance practices within the Group.

6.3 Gender Equality

The Board does not practice gender discrimination and gives equal opportunity to suitably qualified persons to be appointed to the Board irrespective of their gender. The Company embraces the proposition that women on board would be advantageous to the Company as well as to society at large. The Company remains duty bound to recruit the best available talent, and although the Board does not endorse quotas, it does commit to having representation of women in senior positions in the Company and on the Board.

7. REPORTING & RECORDS

- 7.1 Proceedings of all Board and Board Committees meetings are minuted and signed by the Chairman of the respective meetings.
- 7.2 Minutes of all Board and Board Committees meetings are circulated to Directors and Committee Members and approved by the Board and Board Committees at each subsequent meeting.

7.3 Resolutions are circulated to Directors for approval and execution and once passed, are recorded in the Minutes Book of the Company.

8. TIME COMMITMENT

Although the Board expects commitment of time by its members to the Company's affairs, it does not restrict its members from being appointed as a director of other companies. All Directors should notify the Chairman of the Board before accepting a new directorship (in a listed or non-listed company) at least one (1) week prior to such appointment.

9. SUSTAINABILITY

9.1 Succession Planning

The Board ensures that appropriate plans are in place in respect of succession plans including identifying, appointing, training, grooming for replacing Board members and Senior Management of the Group.

9.2 Annual Assessment of Directors' Independence and Tenure

Annual assessment of Directors' independence against set criteria shall be carried out to ensure that the Independent Directors bring independent and objective judgment to the Board and this is perceived to mitigate risks arising from conflict of interest or undue influence from interested parties. The existence of independent director on the Board by itself does not ensure the exercise of independent and objective judgment as independent judgment can be compromised by among others, familiarity or close relationship with other Board members.

The Board shall also ensure that the assessment criteria for independence of directors includes tenure of an independent director of which should not exceed a cumulative term of nine (9) years as recommended under the Malaysian Code on Corporate Governance ("MCCG").

10. PROCEDURES FOR ASSESSMENT OF BOARD AND INDIVIDUAL DIRECTOR'S PERFORMANCE

10.1 Purpose And Responsibility

The Nomination Committee is responsible to develop, maintain and review the criteria to be used in the evaluation process to assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, on an annual basis. The purpose of the evaluation process aims to improve the Board's effectiveness as a whole.

The results of this 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 evaluation guidelines and processes would cover the Board of the Company.

10.2 Principles

In formulating the criteria for the evaluation process, the Nomination Committee takes cognizance that the implementation of a successful and constructive evaluation process requires a culture of frankness that encourages ongoing relationships of reciprocity and mutual trust which is essential for self-evaluation whereby strict confidentiality with respect to each Director's input and feedback is maintained.

Assessment processes are shaped by many forces, including corporate circumstances and performance and relationships between and among individual Directors. The Board will therefore periodically review assessment practices and criteria to ensure their effectiveness and responsiveness against changing needs, and to ensure their continued applicability and appropriateness.

10.3 Process

a) Assessing Board Effectiveness

The purpose of the Board Evaluation is to assess the processes by which the Board fulfils its responsibilities, including those provided by MCCG. Regardless of whether all or some of these responsibilities have been delegated to Board committees, the responsibilities would form part of the Board Evaluation as the Board is ultimately accountable.

The aim of the assessment process is for the Board to benchmark its own performance against the expectations set at the beginning of the year or at the last evaluation, and to identify areas for improvement.

b) Assessing Committee Effectiveness

In line with the assessment of Board effectiveness, an assessment of the Board Committees as a function of the Board should also be carried out to evaluate the effectiveness of the Committees in meeting the objectives for which they were established. Committee members shall assess their role in assisting the Board to fulfil its responsibilities as delegated to the Committee by its Terms of Reference.

The aim of the assessment is for the Committee to benchmark its own performance against the expectations set at the beginning of the year or at the last evaluation, and to identify areas for improvement.

c) Assessing Individual Director's Contributions

The evaluation of individual Directors assists the Directors in maximising their contribution to the governance of the Company through focused discussion, effective planning and achievement of professional performance and development objectives.

In considering a Director's contributions to the Board, the Directors and the NC shall consider the following key elements:

- Integrity, Commitment and Ethic
- Governance
- Strategic Perspective
- Business Acumen
- Judgment and Decision Making
- Teamwork
- Communication
- Leadership

10.4 Reporting to the Board

The results of the evaluation processes (Board, Committees and Director) are to be presented by the Chairman of the Nomination Committee or a nominated member of the Committee to the full Board, together with the report on the required mix of skills and experience and other qualities including core competencies which Directors should bring to the Board.

11. REVIEW AND PUBLICATION OF CHARTER

11.1 This Charter shall be reviewed periodically and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities.

11.2 Summary of this Charter is published in the Company's website www.mercury.com.my.

Updated on: 9 October 2024