



**BOARD OF DIRECTORS' CHARTER
AND
TERMS OF REFERENCES**

1.0 DEFINITIONS AND INTERPRETATION:

1.1 In this Board charter, where the context so admits the following expression shall have the following meanings:

“Act”	The Companies Act, 1965 as amended from time to time and includes any re-enactment thereof.
“AGM”	Annual General Meeting of the Company.
“Articles”	Articles of Association of the Company.
“Board”	Board of Directors of the Company.
“Business”	Business of the Company.
“Bursa Malaysia”	Bursa Malaysia Securities Berhad.
“Chairman”	Chairman of the Board.
“Charter”	Charter of the Board.
“Code of Conduct”	The Code of Conduct encapsulating the core values and principles of the Company as implemented and revised from time to time.
“COO”	The chief operating officer of the Company.
“Executive Director”	An executive member of the Board other than the Managing Director.
“Independent Members”	Members who are independent as defined under the provisions of the Listing Requirements.
“Listing Requirements”	Main Market Listing Requirements of Bursa Malaysia, as amended from time to time.
“Managing Director”	A director who is appointed to hold such a position and attends to the day to day business and management of the Company.
“Members”	Members of the Board.

“Perisai “ or the “Company”	Perisai Petroleum Teknologi Bhd (Company No: 632811-X).
“Perisai Group” or “Group”	Perisai and its subsidiaries, collectively.
“Secretary”	Company Secretary of the Company.
“Senior Management”	The Senior Management team of the Company which includes the Managing Director and Executive Director and the highest ranking executives of Perisai who are not Members of the Board.
“Shareholders”	Shareholders of the Company.

1.2 In this charter, unless the context otherwise requires, words importing the masculine gender shall include the feminine, neuter genders and vice versa; and

1.3 Words importing the singular shall include the plural and vice versa.

2.0 PART 2 BOARD GOVENANCE PROCESS

2.1 Role of the Board

2.1.1 The role of the Board is to effectively represent and promote the interests of Shareholders with a view to adding long-term value to the Company’s shares.

2.1.2 Having regard to its role, the Board shall direct and supervise the management of the Business and affairs of the Company including, in particular:

- a. setting, endorsing, reviewing and adopting the strategic direction on all matters of importance to the Company which are presented to the Board in the form of the yearly Budget and Business Plan of the Company or such other presentation made by a Senior Management from time to time;
- b. oversee the conduct of the Company’s business;
- c. setting the Company’s strategic objectives so that the Company can conduct its activities sustainably over the long term and endorsing material initiatives to support delivery of those objectives;

- d. reviewing the adequacy and the integrity of the Company's internal control systems and management information system, including systems for compliance with applicable laws, regulations, rules, directives and guidelines, and ensuring that there is a satisfactory framework of reporting on internal financial controls and regulatory compliance;
- e. establishing policies for strengthening the performance of the Company including ensuring that Senior Management is proactively seeking to build the Business through initiative, innovation and technology;
- f. monitoring the performance of Senior Management and reviewing its performance against agreed corporate objectives;
- g. taking into account the recommendations of the relevant committees (where applicable) to determine succession planning, including the implementation of appropriate systems for appointing, training, fixing the compensation of and where appropriate, replacing Senior Management and to ensure that the Senior Management is of the highest caliber;
- h. taking into account the recommendations of the relevant committees, to appoint the Managing Director and Executive Director, setting the terms of the Managing Director's and Executive Director's employment contract and, where necessary, terminating the Managing Director's or Executive Director's employment with the Company;
- i. ensuring that the Company's financial statements are true and fair and conform with all applicable law and regulations;
- j. ensuring that the Company adheres to high standards of ethics and corporate behavior in accordance with the Code of Conduct;
- k. developing and maintaining a policy on health and safety conforming to the best standards of the oil and gas industry;
- l. developing a policy on sustainability premised on environmental, social and governance aspects as may be contained in the Code of Conduct;
- m. ensuring that the Company has appropriate risk management and regulatory compliance policies in place to identify, manage and mitigate risk in the operations and business of the Company;
- n. ensuring that the Company complies with the continuing disclosure obligations contained in the Listing Requirements and providing the Shareholders and members of the public with timely and balanced disclosure of all material matters concerning the Company;

- o. approving/adopting a Limits of Authority and the procedure thereto to determine which transactions require the Board's approval;
- p. leveraging on information technology for effective dissemination of information;
- q. deciding on such steps that are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- r. ensuring that the Board continues to have the blend of skills, experience and attributes appropriate for the Company and its business, and to this end ensure, that appropriate directors are selected and appointed as required; and
- s. evaluating and determining the specific and continuous training needs of the Members on a regular basis in addition to the Mandatory Accreditation Programme (MAP) as required by Bursa Malaysia.

2.1.3 The day to day management of the Company shall be in the hands of Senior Management.

2.2 The Board's Relationship with Shareholders

- 2.2.1 The Board shall use its best endeavors to familiarize itself with issues of concern to Shareholders.
- 2.2.2 The Board shall 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 interest of Shareholders and, if thought appropriate, to take outside expert advice on these matters.
- 2.2.3 The Board shall develop and implement an investor relations programme or Shareholder communication policy for the Company. The policy is to ensure that it effectively communicates the key aspects of the operations of the Company to the Shareholders. It shall also accommodate proactive engagements with Shareholders.
- 2.2.4 The Board shall identify a senior independent non-executive Director of the Board in the Company's annual report to whom Shareholders may convey their concerns.
- 2.2.5 The Board shall take reasonable steps to encourage Shareholders participation at general meetings, including explaining to Shareholders their rights at general meetings.

2.3 Board Procedures

- 2.3.1 The conduct of Members shall be consistent with their duties and responsibilities to the Company and, indirectly, to Shareholders. The Board will carry out its role, with emphasis on strategic issues and policy.
- 2.3.2 Members shall use their best endeavors to attend Board meetings and to prepare thoroughly. Members are expected to participate fully, frankly and constructively in Board meetings, discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board table. Members who are unable to attend a meeting shall advise the Secretary accordingly.
- 2.3.3 Board discussions shall be open and constructive, recognizing that genuinely-held differences of opinion can, in such circumstances, bring greater clarity and lead to better decisions. The Chairman shall, nevertheless, seek a consensus in the Board but may, where considered 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 such disclosure as required by law.
- 2.3.4 The Board has sole authority over its agenda. Any Member may request the addition of an item to the agenda. The relevant agenda and a set of board papers shall be circulated to the Members prior to meetings in a timely manner to facilitate Members' participation in Board discussions on a fully-informed basis.
- 2.3.5 The Board shall hold meetings regularly as the occasion requires but nevertheless will meet at least four (4) times a year. At each meeting, the Board may consider, amongst others, the financial performance, business operations, annual business plan and budget, material acquisition or disposal of assets, major investments, Board appointments and reports of the various board committees.
- 2.3.6 Members are entitled to have access, at all reasonable times, to the Senior Management and Secretary, to all relevant company information of the Company.
- 2.3.7 Members are entitled to obtain independent professional advice as outlined in paragraph 2.9 of this Charter.
- 2.3.8 Members shall continue to undergo relevant training programmes and seminars from time to time as they consider necessary in addition to the Mandatory Accreditation Programme as required by Bursa Malaysia, to

equip themselves with the relevant skills and knowledge to discharge their duties effectively.

2.3.9 Members are expected to strictly observe the provisions of the Act and other rules and regulations.

2.4 Board Committees

2.4.1 The Board has four standing committees, namely –

- a) Audit Committee;
- b) Remuneration Committee;
- c) Nomination Committee; and
- d) ESOS Committee.

Other committees may be formed for specific purposes and disbanded as required.

2.4.2 The Board shall appoint Members to the respective Board committees and approve the Terms of Reference of each of the respective Board committees.

2.4.3 The Board shall review and upon deliberation and due consideration given, may approve recommendations made by the respective committees.

2.4.4 Subject to its respective Terms of Reference, Board committees shall observe the same rules of conduct and procedure as the Board, unless the Board determines otherwise.

2.5 Board Composition and Mix

2.5.1 The composition of the Board underpins the effectiveness of its ability to perform its duties and responsibilities and in setting the Company's strategy and seeing that it is implemented.

2.5.2 The Board is committed to a policy of selecting, as members of the Board, persons who have the necessary skills, competencies and experience.

2.5.3 The selection of appropriate persons as members of the Board shall also be within a policy to seek diversity to the Board, in terms of gender, capabilities, core skills and experience.

2.5.4 The Board shall formulate a process which is to be implemented by the Nomination Committee, designed to assess the effectiveness of the Board as a whole.

2.5.5 The Board, through the Nomination Committee shall annually review its required mix of skills and experience and other qualities, including core

competencies which non-executive Directors should bring to the Board. The Board, through the Nomination Committee shall also annually assess whether a non-executive director remains independent.

- 2.5.6 The size of the Board shall be such that the common purpose, involvement, participation, harmony and sense of responsibility of the Members are not jeopardized. It must be large enough to ensure a range of knowledge, views and experience, with the majority being non-executive. The Board must comprise of such number of independent directors as required by the Act or such other regulations and best practices.
- 2.5.7 Non-executive Directors shall be persons of caliber, credibility and have the necessary skill and experience to bring an independent judgement to bear on issues of strategy, performance and resources including key appointments and standards of conduct.
- 2.5.8 Member shall hold office subject to any obligation to retire by rotation in accordance with the Company's Articles and the Member then may choose to offer himself for re-election at the Company's AGM.
- 2.5.9 On recommendation of the Nomination Committee, the Board may propose for Shareholders' approval, the extension of an independent director who has served in the same capacity for more than nine years if the Board is satisfied that he/she is able to continue to be independent and bring independent judgement to Board deliberations.

2.6 Induction of New Members

- 2.6.1 On first appointment of new Members, they shall have the benefit of an induction programme aimed at deepening their understanding of the Company and the Business and the environment and markets in which the Company operates. Whenever possible, Members shall receive a folder of essential Board and Company information and shall meet with Senior Management.
- 2.6.2 Members are expected to keep themselves abreast of changes and trends in the Business and in the Company's environment and markets and to keep abreast of changes and trends in the economic, political, social and legal climate generally.

2.7 Members' Remuneration

- 2.7.1 The Board shall determine the level of remuneration paid to non-executive Members, based on the experience, level of expertise and responsibilities undertaken by the non-executive Members concerned and within any limitations imposed by Shareholders.

- 2.7.2 Non-executive Members shall be paid a basic fee as ordinary remuneration and may be paid, as additional remuneration, an extra fee as member of Board committees and an extra fee for any special service as Chairman of such Committee. The Chairman shall be paid a level of fees appropriate to his office.
- 2.7.3 The Remuneration Committee is responsible for recommending to the Board on the remuneration package for the Executive Members.
- 2.7.4 Executive Members shall receive no fees but shall be paid as employees of the Company in accordance with their contracts of employment with the Company.
- 2.7.5 Members shall play no part in decisions on their own remuneration.

2.8 Other Board Appointments

- 2.8.1 Members are subject always to the limitation on numbers of directorship as imposed by the Act or the Listing Requirements.
- 2.8.2 The new appointments shall not be in conflict with the interest of the Business and would not detrimentally affect the Member's performance as a Member.
- 2.8.3 Board members are required to commit sufficient time and attention to the affairs of the Company before accepting additional directorships. A Member who wishes to accept new directorship shall notify the Chairman before accepting the same and to indicate the time expected to be spent on the new appointment.
- 2.8.4 All other appointments must be disclosed to the Secretary.

2.9 Independent Professional Advice

- 2.9.1 Any Member is entitled to obtain independent professional advice relating to the affairs of the Company or to his other responsibilities as a Member.
- 2.9.2 If a Member considers that such advice is necessary, the Member shall first discuss it with the Chairman and, having done so, may then decide to proceed to seek such independent professional advice.
- 2.9.3 The cost of the advice shall be reimbursed by the Company but the Member shall ensure, so far as is practicable, that the cost is reasonable.

2.10 Conflicts of Interest

- 2.10.1 Members must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. If any matter is to

be discussed at the Board meeting which would involve one or more Members having a material conflict of interest, then those Members shall disclose that conflict of interest and shall not participate in any voting and decision making process.

2.11 Indemnities and Insurance

2.11.1 The Company shall provide all Members with, and will pay the premiums for, indemnity and insurance cover while acting in their capacities as Members.

2.12 The Secretary

2.12.1 The Secretary must be someone who is suitably qualified, competent and capable of carrying the duties to which the post entails.

2.12.2 The appointment and removal of the Secretary must be approved by the Board.

2.12.3 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 are in place.

2.12.4 All Members, particularly the Chairman, shall have access to the advice and services of the Secretary for the purposes of the Board's affairs and the Business.

3.0 PART 3 BOARD-MANAGEMENT RELATIONSHIP

3.1 Position of Managing Director

3.1.1 The Board shall delegate the management of the Company and its functions to the Managing Director.

3.1.2 The Board shall identify and agree with the Managing Director specific corporate objectives and Managing Director is authorized to make a decision and take any action in accordance with the policies of the Company as delegated/empowered to him by the Board from time to time.

3.1.3 Between Board meetings, the Chairman plays the role of maintaining an informal link between the Board and the Managing Director. The Chairman shall be kept informed by the Managing Director on all key important matters, and is available to the Managing Director to provide counsel and advice where necessary.

3.2 Duties of Managing Director/Executive Directors and Accountability to the Board

- 3.2.1 The Managing Director/Executive Directors are accountable to the Board for the observance of Company policies which are to be executed within the specific authorities delegated to them by the Board.
- 3.2.2 The Managing Director/Executive Directors are expected not to cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics as may be contained in the Code of Conduct.
- 3.2.3 In allocating the capital and resources of the Company, the Managing Director/Executive Directors are expected to adhere to the Company's rules, regulations and policies.
- 3.2.4 The Managing Director/Executive Directors are expected not to cause or permit any action without taking into account the health, safety, environmental and political consequences and their effect on long-term shareholder value.
- 3.2.5 The Managing Director/Executive Directors shall be responsible for the assets of the Company which are expected to be adequately maintained and protected, and not unnecessarily placed at risk.
- 3.2.6 The Managing Director/Executive Directors are expected not to permit employees and other parties working for the Company to be subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe.
- 3.2.7 The Managing Director/Executive Directors are 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.
- 3.2.8 The Managing Director/Executive Directors shall ensure that all policies adopted by the Board and/or the Committees together with the Code of Conduct shall be observed and complied with at all times.

4.0 PART 4 DUTIES OF THE CHAIRMAN

- 4.1 The Board shall appoint from among the Members, a Chairman.
- 4.2 The Chairman shall be a non-executive Member.
- 4.3 The Chairman's principal roles as stated below are not exhaustive, and merely serve as a guideline, and they include:
 - 4.3.1 Representing the Board to Shareholders;

- 4.3.2 Ensuring the integrity and effectiveness of the governance process of the Board as set out in this Charter;
- 4.3.3 Maintaining regular dialogue with the Managing Director over all matters and shall consult with the remainder of the Board promptly over any matter that gives him cause for concern;
- 4.3.4 Acting as facilitator at meetings of the Board to ensure that no Member, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among Members is forthcoming. The Chairman shall ensure that discussions result in logical and understandable outcomes;
- 4.3.5 Providing overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions;
- 4.3.6 Actively participating in the selection of Board Members (undertaken through the recommendation of the Nomination Committee) and ensuring, subject to Board's and Shareholders' approval, that the membership of the Board is properly balanced;
- 4.3.7 Chairing meetings of the Board in such a manner that shall stimulate debate on the issues before the Board and encourage the most effective contribution from each Member;
- 4.3.8 Ensuring reasonable time frame for effective study and discussion of business under consideration and that every Board resolution is put to a vote to ensure that it is the decision of the majority that prevails;
- 4.3.9 Guiding discussions so that they are courteous and harmonious but always pertinent while at the same time seeing that genuine disagreements are aired and resolved;
- 4.3.10 The Chairman shall not dominate discussions but shall maintain good control of proceedings. The Chairman shall see that the decisions are reached and that they are properly understood and recorded;
- 4.3.11 The Chairman shall be fair but firm and the interests of the Company must predominate. At all times the Chairman shall be mindful of the potential for conflicts of interest between Members and the Company; and be familiar with the procedure to be followed as required by legislation and the Company's Articles;
- 4.3.12 Reviewing the minutes of the meetings of the Board before the meeting at which they shall be presented for confirmation, to ensure that:
 - a) they accurately reflect the Board's deliberations; and

- b) matters arising from the meeting and on which further action is required have been minuted; and

4.3.13 Monitoring and evaluating the individual performance of the Members which is to be done in collaboration with the relevant committees and taking the initiative in instigating periodic evaluations of the Board as a whole.

The evaluation of the Chairman himself shall be carried out by the other Members.

4.4 The Chairman shall be kept informed by the Managing Director of all such important matters such as emerging problems, risks, potentially good or bad publicity, investment and divestment proposals, funding issues and current performance.

4.5 The Chairman shall make himself available to the Managing Director at all time, to:

4.5.1 act as a sounding board and be part of the control mechanism in ensuring that the Managing Director's decisions are properly considered and soundly based; and

4.5.2 give assistance and advice when needed especially on sensitive matters which the Managing Director feels he is unable to discuss with Senior Management.

4.6 Subject to any contrary provisions in the Company's Articles, the Chairman of the Board is also expected to chair meetings with Shareholders. 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 the capability to summarise and unify thoughts and ideas.

4.7 The Chairman shall also have a sound knowledge of meeting procedures and be able, when required, to deal with the technical aspects of resolutions, amendments, etc and be sufficiently familiar with company law and the contents of the Company's Articles to enable him to handle (with assistance from the Company Secretary and legal advisers if necessary) such matters as voting on a poll and the items that may be properly discussed at the meeting.

4.8 The Chairman's address at Shareholder's meetings is an opportunity to inform Shareholders about the Company's affairs.

4.9 The Chairman shall also be prepared to lead the presentation of the Company's cause, whether formally or informally, with politicians and others having influence on the environment in which the Company operates.

4.10 While performing the functions set out above, the Chairman, in conjunction with the Managing Director, shall also be expected to play a leading role in:

4.10.1 the process of forming the Company's vision and goals;

- 4.10.2 the Company's strategic direction and planning process;
- 4.10.3 fostering high corporate ethical standards and positive relationship with the Company's stakeholders; and
- 4.10.4 ensuring adherence by the Company to both the letter and the spirit of the law.
Whatever the degree of participation, leadership must nevertheless always remains one of the Chairman's most essential qualities.

4.11 As leader of the Board, the Chairman is in a unique position to set the culture of the Company, in other words the tone and values by which it operates. He shall use every endeavor to ensure that this responsibility is discharged in the best interest of the Company, with a view to adding value to the Company and its shares, and all those associated with it.

5.0 **REVISION OF THE CHARTER**

- 5.1 The Board shall periodically review this Charter to ensure it remains consistent with the Board's objectives and responsibilities. Any revision or amendment to this Charter, as proposed by any Member, or any third party, shall first be presented to the Board for its approval.
- 5.2 Upon the Board's approval, the said revision or amendment shall form part of this Charter and this Charter shall be considered dully revised or amended.

Dated the 10th day of April 2013

Approved by:

The Board of Directors
Perisai Petroleum Teknologi Bhd