

MISC BERHAD

BOARD CHARTER

1. PURPOSE OF BOARD CHARTER

This Board Charter sets out the roles and responsibilities of the Board of Directors (“the Board”) of MISC Berhad (“MISC” or “the Company”) in accordance with the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) so as to provide the framework in the performance of the Board’s responsibilities vis-a-vis the Company and the management.

The Board’s roles and responsibilities are also governed by the Memorandum and Articles of Association (“M&A”) of the Company and the laws and regulations governing companies in Malaysia.

2. BOARD ROLES AND RESPONSIBILITIES

2.1 Board Composition

The Board comprises qualified individuals with diverse skills, experiences, and background. The composition of the Board promotes diversity as such it enables various perspectives and views to be given. This facilitates the making of informed decisions and the execution of wholesome stewardship of the Company by the Board.

The M&A provides that the number of Directors shall not be less than two (2) nor (unless otherwise determined by the Company in general meetings) more than fourteen (14).

As at 1 June 2015, the Board comprises nine (9) directors, five (5) of whom are Independent Non-Executive Directors, three (3) Non-Independent Non-Executive Directors and a Non-Independent Executive Director. The Independent Directors include the Chairman of the Board whilst the President/Chief Executive Officer (“President/CEO”) of the Company is the Non-Independent Executive Director.

The Board composition is reviewed from time to time in accordance with the requirements of the Company.

The Company shall ensure that the Board has a balanced composition of Independent and Non-Independent Directors in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and consistent with the needs of the Company.

2.2 Role of Board

The Board is responsible for providing oversight and stewardship to the Company through the following:-

- Establishing a strategic plan and setting of targets for the Company in line with the Company's vision, mission and business objectives;
- Overseeing the conduct and performance of the Company and of the President/CEO against set goals and objectives;
- Identifying the principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Ensuring a sound succession plan and continuous development of human capital;
- Developing and implementing an investor relations programme for the Company;
- Reviewing the adequacy and the integrity of the Company's internal control systems.
- Reviewing the Company's strategic, capital or funding transactions and monitoring execution of these transactions.

The Board has established Board Committees that operate under clearly defined Terms of Reference. This is to facilitate the Board's effectiveness and to efficiently discharge its duties and responsibilities. The Board is ultimately accountable and responsible for the affairs and business of the Company.

The Board understands its responsibility to exercise good governance and therefore shall be guided by the principles and best practices as stated in the MCCG 2012.

2.3 Role of Directors

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

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

2.4 Role of Chairman

The primary role of the Chairman is to lead the Board so as to ensure effectiveness in discharging its responsibilities. There is a clear division of responsibilities between the Chairman and the President/CEO. The Chairman of the Board is an Independent Non-Executive Director.

The Chairman's responsibilities include setting the agenda, style and tone of Board discussions so as to promote constructive debate and effective decision-making, and leading all Board meetings and general meetings. The Chairman also takes a leading role in determining the composition and structure of the Board. This includes determining whether additional Board Committees are required to support the Board's role and ensuring the effectiveness of such Board Committees.

2.5 Role of President/CEO

The President/CEO is responsible for implementing the Company's policies, strategies and decisions as guided by the Board and overseeing the day-to-day management and operations of the Company's business. In doing so, the President/CEO is responsible for ensuring that a sound management structure is in place.

The President/CEO is assisted by the Management Committee in managing the day-to-day business of the Company.

2.6 Role of Board Committees

The Board may from time to time establish Board Committees to assist in discharging its responsibilities. To that end, the Board has appointed the following Board Committees from amongst the Board members to ensure good governance in the decision-making process:-

- Audit Committee
- Nomination & Remuneration Committee

These Board Committees operate under specific Terms of Reference which may be amended by the Board from time to time. Independent and Non-Executive Directors play a leading role in these Board Committees. Where necessary, the Board may form additional Board Committees.

2.6.1 Audit Committee

The Audit Committee shall comprise at least three (3) members, a majority of whom shall be Independent Directors. The Audit Committee is responsible for providing oversight on effective risk management and internal control. The roles and responsibilities of the Audit Committee are provided in its Terms of Reference.

The Audit Committee has elected a Chairman from amongst the members who shall be an Independent Director.

2.6.2 Nomination & Remuneration Committee

The Nomination & Remuneration Committee shall comprise at least three (3) members a majority of whom shall be Independent Directors. The roles and responsibilities of the Nomination & Remuneration Committee are provided in its Terms of Reference.

The Nomination & Remuneration Committee has elected a Chairman from amongst its members who shall be an Independent Director.

2.7 Role of Company Secretary

The Company Secretary is not only responsible for the preparation of the minutes of the Board meetings and assuming the role of the secretariat for effective functioning of Board and Board Committee meetings, but plays a key role in advising the Board and Board Committees on matters relating to the compliance with laws, regulations and procedures affecting the Company and corporate governance best practices.

3. BOARD PROCESSES

3.1 Board Meetings

The Board meets every quarter and additional meetings are held as and

when required. The quorum for a Board Meeting shall be three (3) Directors.

3.2 Board Committee Meetings

The Audit Committee meets every quarter. The Nomination and Remuneration Committee meets at least twice a year. These Board Committees also hold additional meetings as and when required.

3.3 Financial Reporting

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

3.4 Non-Financial Reporting

Non-financial reporting by the Board will be done through the Performance Review, Investor's Overview, Corporate Responsibility and Corporate Governance section in the annual report as well as other announcements by the Company on its website or press statements.

3.5 Decision-making

The Board makes decisions based on majority votes, each Director having one vote and in case of an equality of votes the Chairman shall have a second or casting vote.

3.6 Monitoring

The Board monitors the performance of the Company via reports tabled at Board and Board Committee meetings and through regular engagements between the Board, President/CEO and the management as and when necessary.

4. BOARD RESPONSIBILITIES

4.1. Policy & Strategy

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

4.2 Ethics & Compliance

4.2.1 Board Compliance

The Board is governed by the requirements of the Companies Act 1965, MMLR, MCGG 2012, Capital Markets and Services Act 2007 and other applicable laws.

4.2.2 Ethical Standards

The Board members are expected to observe the highest standard of ethical conduct, integrity and accountability as specified by the MISC Code of Conduct and Business Ethics ("CoBE").

The Board has endorsed the MISC Policy Statement on Anti-Bribery and Corruption which is attached as Appendix 1 to this Board Charter, and will continue to uphold the said Policy.

4.3 Risk Management

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

The Board, via the Audit Committee and Risk Management Committee (RMC), has adopted a Risk Governance Framework to ensure all business risks are prudently identified, evaluated and managed in accordance with acceptable international standards, principles and guidelines on risk management.

In addition to the risk management process, the BAC, via the Management Committee (“MC”), periodically reviews and/or tests the efficiency and effectiveness of the Group’s internal control system to ensure that the system is viable and robust.

4.4 Investor Relations

The Board has in place an Investor Relations (“IR”) platform to ensure that the Group’s IR message is clearly coordinated and communicated. The IR activities include dialogues with shareholders as well as group meetings for analysts and potential investors. Analyst briefings and conference calls are held after announcements of quarterly financial results.

4.5 Health, Safety and Environment

The Board is committed to giving attention to strategies relating to the health, safety and environment, and compliance with the relevant laws, rules and regulations. The Board also places emphasis on the formulation of strategies to promote sustainable development in areas covering economics, environment and social development.

5. BOARD DEVELOPMENT

5.1. Succession Planning

The Board considers and deliberates on the succession plan of the Directors on an annual basis.

5.2 Board and Directors’ Assessment

An assessment of the Board and individual Directors’ performance and effectiveness is conducted annually.

5.3 Directors’ Compensation

The Board is guided by the market and industry practices in determining the amount of compensation to be paid to the Directors.

5.4 Directors' Training and Development

The Company adopts continuous and relevant educational/training programmes and awareness sessions for Directors in relation to developments pertaining to the laws and regulations, commercial risks and current issues and trends which may affect the Board and/or the Company.

The Company also adopts a customised training approach to suit the needs of the respective Directors. In the event that a new Director is appointed, comprehensive briefings and information about the Company are provided at the point of the Directors' induction.

6. AMENDMENTS

This Board Charter may be amended by the Board, as and when necessary.

Appendix 1

The MISC Group Policy Statement on Anti- Bribery and Corruption

We at MISC Group (MISC) are committed to applying the highest standards of ethical conduct, integrity and accountability in all our business activities and operations. This Policy applies to all MISC business dealings and relationships.

MISC has a zero tolerance policy towards any form of bribery and corruption by, or of, its employees or any persons or companies acting for MISC or on its behalf. The MISC Code of Conduct and Business Ethics (MISC CoBE) and Anti-Bribery and Corruption Policy and Guidelines apply throughout the Group and reflect our commitment to fight any corrupt and unethical practices in the course of conducting business in the jurisdictions in which we operate.

The Board and management are committed to implementing and enforcing effective and robust policies and procedures to prevent, monitor and eliminate bribery and corruption. Employees and others acting for or on behalf of MISC are strictly prohibited from directly or indirectly soliciting, accepting or offering bribes in relation to MISC's businesses and operations.

Employees across MISC are expected to observe the MISC CoBE and uphold MISC's zero tolerance towards bribery and corruption. Employees who fail to comply with the CoBE will be subject to the appropriate disciplinary measures.