



MISC BERHAD

BOARD CHARTER

Revised as at 06 August 2018

1. PURPOSE OF BOARD CHARTER

This Board Charter sets out the Board's purpose, key values and principles, and in addition, the roles and responsibilities of the Board of Directors ("the Board") and the individual directors of MISC Berhad ("MISC" or "the Company") in accordance with the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). This is to provide the framework in the performance of the Board's responsibilities vis-a-vis the Company.

The Board's roles and responsibilities are also governed by the Constitution of the Company and the laws and regulations governing companies in Malaysia.

2. BOARD ROLES AND RESPONSIBILITIES

Overview of Board's Purpose

The Board has the overall responsibility for providing oversight and stewardship to the Company in executing the Company's objectives. The Board understands its responsibility to exercise good governance and is guided by the principles and best practices as stated in the MCCG 2017.

2.1 Board Structure and 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 Constitution 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).

The Board comprises Independent Non-Executive Directors ("INED"), Non-Independent Non-Executive Director ("NINED") and a Non-Independent Executive Director ("ED"). The composition is reviewed from time to time in accordance with the requirements of the Company. In reviewing the Board composition, the Board takes into consideration the requisite criteria covering individual merit, experience and skills, and where relevant, independence, and various aspects of diversity.

The Board is committed to uphold the Board Diversity Policy attached as Appendix 1 to this Board Charter.

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 Directors’ Tenure

The INEDs serving on the Board shall be appointed for a tenure of three (3) years per term with a maximum of three (3) terms (i.e. maximum of nine (9) years).

The NINEDs shall be appointed for a tenure of three (3) years per term with no maximum total years of service.

The President/Group Chief Executive Officer (“CEO”) of the Company shall be the ED on the Board of the Company for such tenure that commensurates with the President/Group CEO’s tenure.

2.3 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 which supports long-term value creation and includes a sustainability agenda;
- Overseeing the conduct and performance of the Company and of the President/Group CEO against set goals and objectives;
- Upholding, together with Senior Management, good corporate governance culture and business conduct within the Company and its employees, which reinforces ethical, prudent and professional behaviour;
- Identifying and understanding the principal risks of the Company and setting the Company’s risk appetite and ensuring the implementation of appropriate systems to evaluate, monitor and manage these risks;
- Establishing an effective risk management and internal control framework, including regular review of the adequacy and the effectiveness of the framework;
- Reviewing the Company’s strategic, capital or funding transactions and monitoring execution of these transactions;

- Ensuring the integrity and adequacy of the Company's financial and non-financial reporting and disclosure;
- Ensuring sound succession plan and continuous development of human capital, in particular of the Senior Management, and there are measures in place for the orderly succession of Board and Senior Management and
- Developing and implementing an investor relations programme and putting in place procedures to enable effective communications with the stakeholders of the Company.

The Board may establish 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.

2.4 Matters Reserved for the Board

Matters reserved for the Board are clearly defined in the MISC Limits of Authority Manual, which provides a clear demarcation between Board and Management reserve matters, and outlines the types of transactions, thresholds and the process of deliberation. MISC Board matters are generally divided into three (3) categories: -

- Statutory decisions for MISC based on regulatory and statutory requirements;
- Strategic decisions for MISC Group; and
- Operational decisions for MISC that are of high importance and value.

2.5 Role of Directors

Directors are expected to comply with their legal, statutory and equitable responsibilities when discharging their fiduciary duties in accordance with the Malaysian Companies Act, the MMLR and best practices under MCCG 2017. The duties of the Directors include:

- acting in good faith and in the best interest of the Company;
- avoiding any conflict of interest with the Company;
- devoting sufficient time to carry out his or her duties and to attend Board and Board Committee meetings, General Meetings and training programmes.

The INEDs 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.

2.6 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/Group CEO. The Chairman of the Board is a Non-Executive Director.

The Chairman's key responsibilities include:

- providing leadership for the Board so that the Board can perform its responsibilities effectively;
- setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- leading Board and general meetings and discussions;
- encouraging active participation and allowing dissenting views to be freely expressed;
- managing the interface between Board and Management;
- ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- leading the Board in establishing and monitoring good corporate governance practices in the Company.

2.7 Role of President/Group CEO

The President/Group 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/Group CEO is responsible for ensuring that a sound management structure is in place. The President/Group CEO is an ED.

The President/Group CEO is assisted by the Management Committee, which consists of Heads from the Business and Service Units, in managing the day-to-day business of the Company.

2.8 Role of Senior Independent Director

The Senior Independent Director (“SID”) is a Non-Executive Director.

The SID’s responsibilities include:

- To act as a sounding board for the Chairman of the Board;
- To act as an intermediary for other Directors and/or Chairman when necessary;
- To act as a point of contact for shareholders and other stakeholders on areas that cannot be resolved through the normal channels of contact with the Chairman or President/Group Chief Executive Officer; and
- To execute such other roles as designated by the Board from time to time.

2.9 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 & Risk 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.

2.9.1 Board Audit and Risk Committee (“BARC”)

The BARC shall comprise at least three (3) members, a majority of whom shall be INED. The BARC is responsible for providing oversight on the financial reporting process and on risk management and internal control framework and policies. The roles and responsibilities of the BARC are provided in its Terms of Reference.

The BARC shall elect a Chairman from amongst the members who shall be an INED.

2.9.2 Nomination & Remuneration Committee (“NRC”)

The NRC shall comprise at least three (3) members a majority of whom shall be INEDs. The NRC is responsible for providing oversight on Directors’ skills and experience, Board performance, Board composition and diversity, Directors’ induction programme and continuous training, Directors and Senior Management remuneration, and Board and Senior Management succession planning. The roles and responsibilities of the NRC are provided in its Terms of Reference.

The NRC shall elect a Chairman from amongst its members who shall be an INED.

2.10 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, governance, regulations and procedures affecting the Company and advising on the corporate governance best practices.

The responsibilities of the Company Secretary include the following: -

- Managing the process for all board and committee meetings and facilitate board communications;
- Advising the Board on its roles and responsibilities;
- Facilitating the induction programme for new Directors and assist in Directors’ training and development;
- Advising the Board on corporate disclosures and compliance with the Company and securities regulations and listing requirements;
- Managing processes pertaining to annual shareholders’ meetings;
- Monitoring corporate governance developments and assisting the Board in applying governance practices to meet the Board’s needs and stakeholders’ expectations; and
- Serving as a focal point for stakeholders’ communication and engagement on corporate governance issues.

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.

Senior Management and external consultants may be invited to attend Board meetings to advise, present or report on matters relating to their areas of responsibility.

3.2 Board Committee Meetings

The BARC meets every quarter. The NRC meets at least three (3) times 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 BARC 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 relevant sections in the Company's Annual Report covering amongst others, corporate governance overview, management discussion & analysis, investor's overview, 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/Group CEO and the management as and when necessary.

3.7 Access to Advice

All Directors have direct access to the Management and the Company Secretaries for advice and information related to the Company and the Group in discharging their duties.

The Board and/or individual directors may also seek independent professional advice at the Company's expense on specific issues to enable the Board to discharge its duties.

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

The Board has in place a robust compliance and ethics programme to ensure compliance with applicable rules and regulations and adherence to policy and procedures in relation to business ethics, in particular, prevention of corrupt practices and avoidance of conflicts of interest.

4.2.1 Board Compliance

The Board is governed by the requirements of the Companies Act 2016, the 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 2 to this Board Charter, and will continue to uphold the said Policy.

The Board has established the appropriate policy and procedures in managing whistleblowing cases. The oversight function to ensure the effectiveness of whistleblowing process is under the purview of the BARC.

4.3 Risk Management and Internal Control

The Board acknowledges its overall responsibility for continuous maintenance of a sound risk management framework and internal control, to safeguard shareholders' investment and the Group's assets by:

- identifying the principal risks affecting the Company and ensuring the implementation of appropriate plans; and
- establishing a sound system of risk management and internal control to manage or mitigate these risks.

The BARC, via the 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. This includes, setting the risk appetite, and identifying the risk parameters and thresholds and boundaries for the Company.

In addition to the risk management process conducted by RMC, the BARC, via MISC Group Internal Audit, periodically reviews and/or tests the adequacy 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 and oversees the proper development and implementation of an IR programme. This is to ensure continuous communication between the Company and its stakeholders and to facilitate mutual understanding of each other's objectives and expectations. The Board is committed to ensure timely dissemination of material information to the stakeholders.

The IR activities include dialogues with shareholders via general meetings and other means of communication which include announcements to Bursa Malaysia, the Company's website as well as having dedicated meetings for

analysts and potential investors. Analyst briefings and conference calls are held after announcements of quarterly financial results.

4.5 Sustainability and 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 sustainability.

5. BOARD DEVELOPMENT

5.1. Succession Planning

The Board considers and deliberates on the succession plan of the Directors on an annual basis which includes review of the Board's required mix of skills, experience and diversity, and review of the tenure of INEDs on the Board and proposals for retirement and/or re-election of Directors.

The Board also considers and deliberates on the succession plan of the President/Group CEO and the Senior Management of the Company.

5.2 Board and Directors' Assessment

An assessment of the Board and individual Directors' performance and effectiveness is conducted annually which is tracked against a yearly set of Board Key Performance Indicators ("KPIs"). A professional, experienced and independent expert may be engaged to facilitate the Board evaluation assessment, whenever the Board deems it fit and necessary.

5.3 Directors' Compensation

Directors' remuneration is governed by a set of principles and guidelines applicable to the Company. In determining the amount of compensation to be paid to the Directors, the Board is guided by the market and industry practices and the skills, expertise and responsibilities of the Directors.

5.4 Directors' Induction and Training and Development Programmes

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,

strategic planning, corporate governance, industry related and current issues 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 with structured topics to ensure the directors are well-informed with new developments in the business and economic environment to enable them to discharge their duties and responsibilities more effectively. In the event that a new Director is appointed, a comprehensive induction session about the Company is provided.

6. AMENDMENTS

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

Appendix 1

MISC Berhad Board Diversity Policy

MISC Berhad is committed to ensuring the requisite diversity of our Board members, encompassing for example, age, ethnicity and gender, and leveraging on differences in thought, perspective, knowledge, skill, regional and industry experience, and background. These will provide the necessary perspectives, experience and expertise required to achieve effective stewardship and management of the Company by the Board.

The Board maintains the pursuit of its target of 30% women directors in line with the country's aspirational target of 30% representation of women directors.

Appendix 2

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.