

Credit Guarantee Corporation Malaysia Berhad



BOARD CHARTER



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1. INTRODUCTION

1.1 Overview

The Board of Directors (“Board”) is accountable and responsible for the performance and affairs of Credit Guarantee Corporation Malaysia Berhad (“CGC”). The Board is expected to show good stewardship and act in a professional manner, as well as uphold the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

1.2 Purpose

The purpose of this Board Charter is to promote the highest standards of corporate governance within CGC and to set, inter alia, the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance.

1.3 Authority

The Board derives its authorities to act from the Constitution of CGC and the laws of Malaysia governing CGC.

2 BOARD OF DIRECTORS

2.1 Composition and Balance

- i) The number of Directors shall not be less than two (2) and shall not be more than twenty (20).
- ii) The Board should preferably be no larger than seven (7) Directors with majority of Independent Non-Executive Directors and not more than one (1) Executive Director.
- iii) The Board shall be led by a Chairman who must be a Non-Executive Director.
- iv) The post of Chairman and President/Chief Executive Officer shall be distinct and separate with a clear division of responsibilities.
- v) The Board shall comprise of Directors with the mix of skills, backgrounds, academic qualifications and experience in the fields of:

- a) banking, finance, accounting, legal, business management, information technology and investment management; and
- b) entrepreneurship, knowledge of target market/sector and socio-economic perspective and business development (including small and medium businesses).

The Board is committed to ensuring diversity in its composition and embraces the proposition that having a diverse Board will have a positive, value-adding impact on CGC. The Board considers that the concept of diversity incorporates numerous aspects including background experience, gender, age, ethnicity and independence. Whilst the Board acknowledges the importance of boardroom diversity, appointments to the Board shall always be based on merit. The Board also takes cognisance of the best practices under the Malaysian Code of Corporate Governance to have at least 30% women as corporate decision-makers whenever an opportunity arises from any Board vacancy.

- vi) A representative from the Association of Banks in Malaysia is required to be on the Board.
- vii) The Directors shall sit on the board of not more than five (5) listed companies excluding the subsidiaries or CGC's subsidiaries and not more than ten (10) non-listed companies excluding family-owned companies.
- viii) A former key audit partner of CGC is required to observe a cooling-off period of at least two (2) years before being appointed as a Director of CGC.
- ix) A director of CGC must not be an active politician.

2.2 Appointment Process, Qualification Criteria, Tenure and Re-Election

Appointment Process

- i) The Board has the power to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. The new Director so appointed shall hold office until CGC's next General Meeting and shall be eligible for re-election.
- ii) A shareholder may nominate a person for appointment as Director for the consideration of the Board Nomination & Remuneration Committee ("BNRC").
- iii) BNRC shall be responsible to assess the nominee(s) for directorship and Board Oversight Committees' memberships. BNRC shall thereupon submit its recommendation to the Board for decision.

- iv) With respect to assessment of fitness and propriety of a nominee, the BNRC shall take into consideration the following criteria:
 - a) Probity, personal integrity and reputation;
 - b) Competency and capability; and
 - c) Financial integrity.
- v) A formal letter of appointment inclusive of terms of appointment shall be issued to the newly appointed Director.

Qualification Criteria

- vi) The qualification criterion for the appointment of Director shall be governed by the Companies Act 2016, CGC's Constitution and the criteria set under CGC's Guideline on Appointment of the Board of Directors.

Tenure

- vii) The length of service for each term shall not exceed three (3) years, and the Directors may be re-appointed subject to Shareholders' approval at the Annual General Meeting.
- viii) The entire term of service for a Director shall not exceed two (2) terms or six (6) years in total. This requirement is only applicable to Independent Directors.
- ix) In the event that the service of an Independent Director is to be further extended, beyond nine (9) years, the Board should justify and seek annual Shareholders' approval. If the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual Shareholders' approval through a two-tier voting process.

For avoidance of doubt, this provision shall not be applicable to the President / Chief Executive Officer.

Re-Election

- x) The re-election of Directors shall take place each year at the Annual General Meeting of CGC where one third (1/3) of the Directors, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office and the retiring Directors are eligible for re-election.

Others

- xi) The Board will be guided on other matters relating to Directors as set under CGC's Guideline on Appointment of the Board of Directors which may be amended from time to time.

2.3 Directors Training Program

- i) The Directors are required to attend Directors Training Program which consist of:
 - a) In-house Induction Sessions; and
 - b) Continuous Learning and Development Program ("CLDP")
- ii) Each newly appointed Director will undergo the In-House Induction Sessions which aim at communicating to the newly appointed Directors, CGC's vision and mission, philosophy and nature of the business, current issues within CGC, corporate strategy and expectations of CGC.
- iii) During the directorship tenure, the Directors will participate in the CLDP which aims to provide continuous training for the Directors in order to keep abreast with latest developments in the Development Financial Institution ("DFI")'s industry.
- iv) The Board will assess further training needs for the Directors on an on-going basis.

2.4 Effectiveness Evaluation

- i) The BNRC is empowered by the Board to conduct annual assessment on the performance of each Director.
- ii) The results on the BNRC assessments will be reported to the Board and the BNRC's recommendation will be taken into account by the Board in determining its assessment of the Directors to stand for re-appointment/re-election at the next General Meeting.

2.5 Remuneration

- i) Suitable remuneration for the Directors shall be assessed and recommended by the BNRC.
- ii) The Directors shall be entitled to traveling, hotel and other expenses as may reasonable be incurred by the Directors in the execution of the duties

including any such expenses incurred in connection with the Directors' attendance at Board and Board Oversight Committees Meetings.

- iii) Special remuneration, in addition to the Director's ordinary remuneration (by way of salary, commission, participation in profits or otherwise) may be granted in the event that the Director is required to perform or render any special duties or services outside his/her ordinary duties as a Director.
- iv) The remuneration of the Directors shall from time to time be determined by CGC in General Meeting.

3. PRINCIPAL ROLES AND RESPONSIBILITIES

3.1 Board of Directors

- i) Pursuant to the Constitution, in general the business of CGC shall be managed by the Board.
- ii) Except for matters which require the approval from CGC's Shareholders, the Board may exercise all such powers of CGC and do on behalf of CGC or such acts as may be exercised and done by CGC.
- iii) The Board's stewardship responsibilities shall be discharged based on the following roles and responsibilities:
 - a) Contribute in developing corporate strategy and setting of targets;
 - b) Uphold a strong corporate performance management approach;
 - c) Oversee development of CGC's future leaders and human capital;
 - d) Understand and manage CGC's risks;
 - e) Adopt shareholders' perspective when making decisions;
 - f) Balance valid stakeholders' interests; and
 - g) Perform such other functions as prescribed by law.
- iv) Certain specific matters are designated as Reserved Matters whereby the decision making shall be under the sole discretion and responsibilities of the Board. Unless otherwise restricted by the Companies Act 2016 or CGC's Constitution, nothing herein shall restrict the Board from delegating at any time, the Reserved Matters or specific decision-making responsibilities to Board Oversight Committees, individual Directors or the Management.

- v) The details of the Reserved Matter are as attached under **Appendix A** herewith.

3.2 Chairman

- i) The Chairman is responsible for the overall leadership and efficient functioning of the Board.
- ii) The key roles of the Chairman, inter alia are as follows:
 - a) ensuring that the Board functions effectively, cohesively and independently of Management;
 - b) providing governance in matters requiring corporate justice and integrity;
 - c) leading the Board, including presiding over the Board of Directors Meetings and CGC's General Meetings and directing the Board discussions to effectively use the time available to address critical issues facing CGC;
 - d) promoting constructive and respectful relationship among Directors and between the Board and the Management;
 - e) ensuring that there are effective communications between CGC and/or its subsidiaries and its shareholders and/or relevant stakeholders; and
 - f) setting the Board agenda and ensuring that Directors receive complete and accurate information in a timely manner.

3.3 President / Chief Executive Officer

- i) The President / Chief Executive Officer is responsible to the Board for the day-to-day management of CGC.
- ii) The key roles of the President / Chief Executive Officer, inter alia are as follows:
 - a) executing the strategic direction of CGC as set by the Board;
 - b) ensuring that CGC's businesses are properly and efficiently managed by ensuring that the executive team implements the policies and strategies adopted by the Board and Board Oversight Committees;

- c) ensuring that the objectives and standards of performance are understood by the Management and employees; and
- d) ensuring that the operational planning and control systems are in place, monitoring performance results against plans and where necessary, taking remedial action.

4. PROCESS OF THE BOARD

4.1 Board of Directors Meeting

- i) The Directors may meet together for the dispatch of business, adjourn and otherwise regulate the meetings as the Board thinks fit.
- ii) The Board will be guided by the Terms of Reference for the Board of Directors Meeting.
- iii) Reserved Matters, all strategic decisions and investments decisions are made at Board Meetings after due processes, discussions and deliberations.

4.2 Circular Resolution

- i) In between the Board Meetings, approvals on urgent or important business matters requiring the sanction of the Board could be made by way of Circular Resolution enclosing all relevant information to enable the Board to make informed decisions.
- ii) The Circular Resolution in writing duly executed by all Directors other than any Director who is precluded or prohibited from voting on the resolution in question by reason of the Constitution or any applicable law shall be as effective for all purposes as a resolution passed at a Board Meeting duly convened, held and constituted.

4.3 Independent Advice

The Board may seek independent advice and information from external parties in furtherance of their duties at CGC's expense, so as to ensure the Directors are able to make independent and informed decisions.

5. POWER OF DELEGATION

Unless otherwise restricted under the law or CGC's Constitution, nothing herein shall restrict the Board from delegating specific responsibilities to Board Oversight Committees, individual Directors, the Management or any person.

5.1 Board Oversight Committees

- i) The following Board Oversight Committees are established to assist the Board in carrying out its responsibilities. Brief descriptions of the Board Oversight Committees established by the Board are as follows:
- a) Audit Committee - To establish cost effective controls, assessing risks, review the financial condition of CGC, its internal controls, information system, performance and findings of the internal and external auditors and to recommend appropriate remedial action.
 - b) Risk Management Committee - To assist the Board to deliberate CGC's risk management practices, ensure the effectiveness of identification, measurement, monitoring and control of risks, as well as compliance with applicable laws, regulations and guidelines for good corporate governance.
 - c) Investment Committee - To review investment objectives, strategies, policies and guidelines and provide strategic directions governing the investment activities of CGC.
 - d) Nomination and Remuneration Committee - To assist the Board on the following:
 - (i) Appointment and remuneration of Directors and Chief Executive Officer and/or Executive Director (if any) as well as the assessment of effectiveness of individual Directors, Board, Board Oversight Committees and the assessment on the performance of Chief Executive Officers and/or Executive Directors (if any) and Senior Management Officers; and
 - (ii) CGC's key policies, strategies and practices on human resources, management succession plans, performance and reward system, business conduct and ethical behaviour of the employees.

- ii) The Board Oversight Committees operate within clearly defined roles and responsibilities as set out in the Terms of Reference of each of the Committees.
- iii) The membership of Board Oversight Committees may be rotated among Directors from time to time as recommended by BNRC and approved by the Board.
- iv) The Board Oversight Committees report to the Board on their deliberations, findings and recommendations. The Chairmen of the Board Oversight Committees report to the Board on matters dealt with at their respective Board Oversight Committees Meetings.
- v) Minutes of the Board Oversight Committees Meetings are presented at the Board of Directors Meetings for further discussion and direction.
- vi) While these Board Oversight Committees have the authority to deliberate on matters delegated to them, all decisions and/or recommendations made by these Committees will be brought to the attention of the Board, who is collectively responsible for CGC's success, business, strategy, risk management, operational and financial performance.
- vii) The Board may from time to time establish any other committees or ad hoc committees to delegate specific functions as it considers necessary or expedient.

5.2 Management

- i) The Board may delegate its power or function to the Management through appropriate manual of delegations or manual of authorities.
- ii) However, ultimate responsibility for strategy and control rests with the Directors as guided by the President / Chief Executive Officer.
- iii) The Board will be supplied by the Management with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.
- iv) The Board is entitled to request any additional information at any time as it may deem necessary.

5.3 Power of Attorney, Corporate Representative and Proxy

- i) The Board may by Deed of Power of Attorney, Certificate or Proxy Form appoints any Corporation, firm, person, or body of persons to be the attorney, corporate representative or proxy of CGC.

- ii) The appointment of attorney, corporate representative or proxy could be made for such purposes and with such powers, authorities and discretions which do not exceed those vested in or exercisable by the Board under the Companies Act 2016 and/or CGC's Constitution and for such period and subject to such conditions as the Board may think fit.

6. DUTY OF CARE, BUSINESS JUDGMENT AND RELIANCE ON INFORMATION

- i) The Board shall at all times exercise the powers for a proper purpose and in good faith in the best interest of CGC.
- ii) Each Director shall exercise reasonable care, skill and diligence with the knowledge, skill and experience which may reasonably be expected of a Director having the same responsibilities; and any additional knowledge, skill and experience which the said Director in fact has.
- iii) Each Director who makes a business judgment is deemed to meet the requirements of the duty as aforesaid and the equivalent duties under the common law and in equity if the said Director:
 - a) makes the business judgment in good faith for a proper purpose;
 - b) does not have a material personal interest in the subject matter of the business judgment;
 - c) is informed about the subject matter of the business judgment to the extent the Director reasonably believes to be appropriate under the circumstances; and
 - d) reasonably believes that the business judgment is in the best interest of CGC.
- iv) A Director in exercising the duties may rely on information, professional or expert advice, opinions, reports or statements including financial statements and other financial data, prepared, presented or made by:
 - a) any officer of CGC (or its related companies) whom the Director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
 - b) any other person retained by CGC as to matters involving skills or expertise in relation to matters that the Director believes on reasonable grounds to be within the person's professional or expert competence;

- c) another Director in relation to matters within the said Director's authority; or
- d) any Board Oversight Committees of which the Director does not serve in relation to matters within the said Committees' authorities.
- v) A Director's reliance on information provided by others is deemed to be made on reasonable grounds if it was made in good faith and after making an independent assessment of the information or advice, opinions, reports or statements, including financial statements and other financial data, having regard to the Director's knowledge of CGC and the complexity of the structure and operation of CGC.

7. GENERAL MEETINGS

- i) An Annual General Meeting ("AGM") shall be held once in a calendar year at such time within six (6) months of CGC's financial year end and (not being more than fifteen (15) months after the last preceding AGM) and at such venue as may be determined by the Board.
- ii) The Board shall have the right to call for Extraordinary General Meeting (EGM) either on its own initiative or as per requisition by Shareholders holding at least ten per centum (10%) of the issued share capital of CGC to decide on any special or urgent matters requiring immediate attention of CGC.

8. CONFIDENTIALITY AND DISCLOSURE OF INTEREST

- i) The Directors are required to act in the best interests of CGC and shall undertake the duty of confidentiality in relation to CGC's confidential information.
- ii) A Director shall disclose and declare to the Board in accordance with the Companies Act 2016:
 - a) any personal / family interest in a matter which relates to the affairs of CGC; and
 - b) any other interest (actual, potential or perceived) which is in conflict with CGC.
- iii) An independent director must immediately disclose to the Board any change in his/her circumstances that may affect his/her status as an independent director. In such a case, the Board must review his/her designation as an independent director to affirm or change his designation.

9. ETHICS AND COMPLIANCE

The Directors shall observe CGC's Code of Corporate Governance including any amendments made thereafter.

10. BOARD CHARTER REVIEW

- i) The Board Charter was adopted by the Board on 10th December 2013 and shall be effective commencing from 1st January 2014. Any subsequent amendment to the Board Charter may be made via approval by the Board.
- ii) The Board Charter would be periodically reviewed and updated in accordance with the needs of CGC and any new laws or regulations that may have an impact on the discharge of the Board's duties and/or responsibilities.

APPENDIX A

RESERVED MATTERS

Conduct of the Board

1. Appointment and recommendation for removal of Director.
2. Appointment and removal of Company Secretary.
3. Appointment of Board Oversight Committees' members.
4. Approval of terms of reference of Board Oversight Committees' and amendments to such terms.
5. Appointment of Chief Executive Officer and/or Executive Directors of CGC and their duties and the continuation (or not) of their service.
6. Recommendation on the appointment of external auditors and their related audit fees.

Remuneration

7. Approval/recommendation of the Directors' fee/remuneration arrangements for Non-Executive Directors.
8. Approval of the remuneration packages, structure and policy for Chief Executive Officer and/or Executive Directors.

Operational

9. Approval of business strategy and operational plan and annual budget.
10. Ongoing review of performance against business strategy and group operational plan, including monitoring of key risks and risk management policies and actions.
11. Approval of capital expenditure above the Approving Authority Limit as may be determined from time to time.
12. Approval of bad debts write-off in excess of the prescribed amount as may be determined from time to time.
13. Approval of investment or divestment in a company / business / property / undertaking;
14. Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities.
15. Approval of changes in the major activities of CGC or Group.
16. Approval of investment policies and bank mandate.
17. Approval of the Authorized Signatories and Approving Limits of Authority for CGC.
18. Review and approve the Board Oversight Committees' recommendations

Financial

19. Approval of interim and annual financial statements.
20. Approval for the release of financial announcements.
21. Approval of the Annual Directors' Report, Statutory Accounts and Corporate Governance Statement.
22. Approval of interim dividends, the recommendation of final dividends and the making of any other distribution.
23. Adoption of accounting policies.

Other Matters

24. The granting of powers of attorney and the appointment, resignation or removal of the corporate representative or proxy by CGC.
25. The entering into /undertaking of major debt or guarantee schemes / instruments.
26. Recommendations for the alteration of the Constitution of CGC.
27. Alteration of the accounting reference date, registered office and name of CGC.
28. Allotment, issuance, registration or any matters related to the shares of CGC.
29. Scheme of reconstruction or restructuring.
30. Approve, develop and/or implement all the presentation, report or any material shareholder communications for CGC.
31. Any other significant business decision.
32. Any other matter requiring the convening of a general meeting of shareholders or any class of shareholders.
33. Any other significant matters as may be required by the laws or the governing authorities.
34. Any other matters requiring the Board's approval under the Approving Limits of Authority of CGC.