

MRCB

MALAYSIAN RESOURCES CORPORATION BERHAD (7994-D)

BOARD CHARTER

1. INTRODUCTION

The Board Charter is a charter of the Board of Directors (*Board*) of Malaysian Resources Corporation Berhad (“MRCB” or “the Company”).

The Board is accountable to MRCB Members for the corporate governance and performance of the MRCB Group and is also committed to achieving the highest standards of business integrity, ethics and professionalism across the MRCB Group’s activities.

2. PURPOSE

The Board Charter sets out the principal role of the Board, the demarcation of the roles, functions, responsibilities and power of the Board, various Board Committees of the Company.

This Charter further defines the specific responsibilities of the Board, in order to enhance coordination and communication between the Senior Management and Board and more specifically, to clarify the accountability of both the Board and Management for the benefit of the Company and its shareholders.

In addition, it will assist the Board in the assessment of its own performance and of its individual Directors.

3. BOARD COMPOSITION AND BALANCE

(a) Size and Composition

The Board consists of qualified individuals with diverse experience, background and perspective to enable them to discharge their duties and responsibilities effectively. The composition and size of the Board is such that it facilitates the decision making of the Company. Pursuant to the Articles of Association of the Company, the Board shall not be less than two (2) directors and more than 14 directors.

As prescribed by the Listing Requirements, at any one time, at least two (2) directors or one-third ($\frac{1}{3}$), whichever is higher, of the Board members must be Independent Directors. However, the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director to ensure balance of power and authority on the Board.

The basis for the presence of an independent voice on the Board is to ensure that objectivity in decision-making of the Board is achieved and that no single party can dominate such decision-making in the Company.

The Independent Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

The tenure of an Independent Director shall not exceed a cumulative term of 12 years. However, upon completion of the twelve (12) years, the Independent Director may continue to serve the Board subject to the Director being re-designated as a Non-independent Director. In the event the Director is to remain as Independent Director, the Board shall first justify and obtain shareholders' approval.

The Board shall appoint a Senior Independent Director who will also attend to any query or concern raised by shareholders.

On boardroom diversity, the Board will review the appropriate skills, experience and knowledge required of the Board members, in the context of the needs of the Group. The Board will review its composition and size the from time to time to ensure its appropriateness.

The Board collectively, and each Director individually, has the rights to seek independent professional advice at the Company's expense, subject to the approval of the Chairman or in the Chairman's absence, the Board.

(b) Appointments and Re-election

The Nomination Committee and Remuneration Committee shall identify candidates with appropriate skills, experience, knowledge and expertise in order to discharge its mandate effectively and to maintain the necessary mix of expertise to the Board for approval.

All newly appointed Directors will be subject to retirement at the next Annual General Meeting and is eligible for re-election.

All other Directors are subject to retirement by rotation at least once in every three (3) years and is eligible for re-election.

The directorships held by any Board member at any time shall not exceed five (5) in listed companies and no restriction on number of directorships in non-listed companies.

(c) Independence of Director

An Independent Director is independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.

The Board undertakes to assess the independent of its Independent Directors upon appointment, annually and when any new interest or relationship develops.

(d) New Directorship and Time Commitment

Any Director shall notify the Chairman of the Board before accepting any new directorship. The notification shall include an indication of time that will be spent on the new appointment.

The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company.

4. BOARD PERFORMANCE

(a) Directors' Assessment/Board Evaluation

The Board recognises the importance of assessing the effectiveness of individual Directors, the Board as a whole and its Committees. The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis.

5. ROLES AND RESPONSIBILITIES OF THE BOARD

(a) Roles of the Board

The Board oversees the business and affairs of the Company and will assume, amongst others, the following duties and responsibilities:

- reviewing and approving the overall strategic plans and direction of the Company and Group;
- overseeing and evaluating the conduct and performance of the Company and Group;
- identifying principal risks and ensuring implementation of a proper risk management system;
- establishing a succession plan;
- overseeing the development and implementation of a shareholder communication policy for the Company; and
- reviewing the adequacy and the integrity of the management information and internal controls system of the Company

(b) Policy and Strategies

The following matters shall be reserved to the Board for determination and/or approval (save to the extent that the Board resolves that determination and/or approval of any such matter shall be delegated to the Committees of the Board or Management):

- corporate plans and programmes;
- annual budgets, including major capital commitments;
- new ventures;
- material acquisitions and disposals of undertakings and properties;
- changes to the management and control structure within the Company and its subsidiaries, including key policies

(c) Powers delegated to Management

The Board shall delegate to the Chief Executive Officer, the authority and power to manage the Company and its businesses within levels of authority specified by the Board from time to time. The Chief Executive Officer may delegate aspects of his or her authority and power but remains accountable to the Board for the Company's performance and is required to report regularly to the Board on the progress being made by the Company's business units.

(d) Roles of Chairman and Chief Executive Officer

The Board will ensure that its Chairman is a non-executive member of the Board. The roles of the Chairman and the Chief Executive Officer are distinct and separated to ensure a balance of power and authority.

The Chairman is responsible for the overall leadership and efficient functioning of the Board. The key roles of the Chairman, amongst others, are as follows:

- ensure that the Board functions effectively, cohesively and independently of Management
- providing governance in matters requiring corporate justice and integrity
- leading the Board, including presiding over Board meetings and Company meetings and directing Board discussions to effectively use the time available to address the critical issues facing the Company
- promoting constructive and respectful relationship between board members and between board members and management
- ensure that there are effective communication between the Company and/or Group and its shareholders and relevant stakeholders

The Chief Executive Officer is responsible to the Board for the day-to-day management of the Company. The Board gives direction and exercises judgement in setting the Company's objectives and overseeing their implementation. The key roles of the Chief Executive Officer, amongst others, are as follows:

- developing the strategic direction of the Group
- ensure that the Company and/or the Group's business is properly and efficiently managed by ensuring that the executive team implements the policies and strategies adopted by the Board and its Committees
- ensure that the objectives and standards of performance are understood by the Management and employees
- ensure that the operational planning and control systems are in place
- monitoring performance results against plans
- taking remedial action, where necessary

(e) Board Committees

The Board may from time to time establish committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions to the following committees to assist in the execution of its responsibilities:

- Executive Committee
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Employees' Share Option Committee.

The committees shall operate under clearly defined terms of reference. The committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their terms of reference. The Chairman of the respective committees reports to the Board on the outcome of the committee meetings and the minutes will be included in the Board Papers for Board's notification.

The Terms of Reference of each of the above committees are published in the Annual Report.

(f) Board Meetings

The Board shall schedule at least four (4) quarterly meetings annually. However, Special Meetings may be convened as required.

The Notice of Board Meeting, full agenda and the supporting Board Papers should be given in advance of each Board Meeting and Directors are expected to review in advance any such materials in order to facilitate meaningful deliberation during each meeting.

(g) Directors' Remuneration

The Company shall provide a fair and reasonable, competitive, remuneration for its executive directors to ensure that the Company attracts and retains high calibre executive directors who have the skills, experience and knowledge to increase entity value to the benefit of all shareholders.

The remuneration policy for executive directors is based on the achievements and contribution of each member measured against their respective Key Performance Indicators. The Board shall determine the remuneration of executive directors taking into consideration the recommendations of the Remuneration Committee.

The non-executive Directors will receive a fixed base fee, not by a commission or on percentage of profits/turnover, as consideration for their Board duties. The aggregate amount of directors' fees to be paid to non-executive directors is subject to the approval of the shareholders at a General Meeting.

Remuneration for non-executive directors is not linked to individual performance.

(h) Directors' Training and Continuing Education Programme

In addition to the mandatory Accreditation Programme as required by the Bursa Malaysia Securities Berhad, the Directors shall continue to update their knowledge and enhance their skills through appropriate continuing education programmes. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberations.

The Board will assess the training needs of the Directors from time to time and will ensure Directors have access to continuing education programme.

(i) Internal Controls and Risk Management

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of Group's system of internal controls.

The Board had established a Risk Management Framework on 17 February 2003 and in 2011, a comprehensive review of the Risk Management Framework was undertaken to ensure its continued relevance and applicability in the face of changes in the Group's business environment.

(j) Financial Reporting

The Company aims to present a clear and balanced assessment of the Company's financial position and prospects for its financial statements and quarterly announcements to the shareholders, including other price sensitive public reports and reports submitted to regulators.

The Board will ensure that the financial statements are prepared in accordance with the Companies Act and the applicable approved accounting standards set out by the Malaysian Accounting Standards Board so as to present a true and fair view of the state of affairs of the Group.

6. COMPANY SECRETARY

The Board appoints the Company Secretary who plays an important advisory role and ensure that the Company Secretary fulfils its function for which he/she has been appointed.

The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group.

The Company Secretary shall be of a senior position with adequate authority and shall report directly to the Board. The appointment and removal of the Company Secretary will be subjected to the approval of the Board.

7. CONFIDENTIALITY AND DISCLOSURE OF INTEREST

The Directors are required to act in the best interests of the Company. The Directors also have a duty of confidentiality in relation to the Company's confidential information.

A Director should disclose to the Board:

- any material personal interest they have in a matter which relates to the affairs of the Company; and
- any other interest (direct or indirect) which the Director believes is appropriate to disclose in order to avoid any conflict of interest or the perception of a conflict of interest.

The disclosure should be made as soon as practicable after the Director becomes aware of their interest. Details of the disclosure must be recorded in the minutes of the meeting at which the disclosure is made or the meeting held following the disclosure.

8. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Company is committed to ensure that shareholders are well-informed of all major developments affecting the state of affairs of the Company. To achieve this, the Company has implemented amongst others, the following:

- timely release of announcements and disclosures to Bursa Malaysia Securities Berhad, which include quarterly financial results, material contract and any other material information that may affect the investors' decision making;
- conducts regular dialogues with financial analysts as a means of effective communication that enables the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests;
- press conference which is normally held after the Annual General Meeting/Extraordinary General Meeting to provide the media an opportunity to receive an update from the Board on the proceedings at the meetings and to address any queries from the media
- encourage full participation of shareholders at all Annual General Meetings to ensure a high level of accountability and discussion of the Company's strategy and goals. The Company will also invite the external auditor to attend the Annual General Meeting and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report
- shareholders can gain access to information about the Company including the summary of the Group's investor relation activities and media releases through the Company's website, www.mrcb.com.my;

9. CODE OF ETHICS AND CONDUCT

The Directors are expected to conduct themselves with the highest ethical standards. All Directors and employees are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of the Company.

The Group communicates the Code to all Directors and employees upon their appointment/employment and is deemed to be part of the Terms and Conditions of Service.

10. REVIEW OF BOARD CHARTER

This Board Charter has been adopted by the Board on 20 November 2012 and is made available for reference on the Company's website, www.mrcb.com.my.

The Board will review this Charter from time to time and make the necessary amendments to ensure that they remain consistent with the Board's objective, current law and practices.

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