



MGB BERHAD

BOARD CHARTER

1. INTRODUCTION

The Board of Directors of MGB Berhad (“**MGB**” or “**Company**”) and its subsidiaries (collectively referred to as “**Group**”) recognises that good corporate governance is essential for delivering sustainability, enhancing business integrity and shareholders’ value towards achieving the Group’s corporate vision and mission.

2. OBJECTIVES

To promote the highest standards of Corporate Governance within the Group and to clarify, among others, the roles and responsibilities as well as fiduciary duties; various legislations and regulations affecting their conducts and application of sound corporate governance principles towards corporate accountability with the ultimate objective of maximisation of shareholders’ value and safeguarding stakeholders’ interests.

3. ROLES AND RESPONSIBILITIES

3.1 RESPONSIBILITIES OF THE BOARD

The Board takes full responsibility in leading, governing, guiding and monitoring the entire performance and enforces standards of accountability including the processes for financial reporting, risk management and compliance.

The Board assumes, amongst others, the following roles and responsibilities:-

- To formulate, implement and evaluate the strategic plans and direction of the Group;
- To oversee the conduct and performance of the Group’s businesses;
- To identify principal risks affecting the Group, setting the risk appetites and to ensure the implementation of appropriate mitigation measures;
- To establish and review training programme and succession planning to the Board and all candidates appointed to senior management positions are of sufficient calibre;
- To approve the change of corporate organisation structure plan including new investments or divestments both locally or abroad;



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- To oversee the development and implementation of shareholder communication policy/practice for the Group; and
- To review the adequacy and the integrity of the Group's management information and internal control system.

The following are matters specifically reserved for the Board:-

- approval of corporate plans and programmes;
- approval of material investments and divestments, mergers and acquisitions, corporate restructuring both local and abroad;
- appointment of new Directors, Chief Executive Officer/Managing Director and other senior management positions are based on recommendation of the Group's Nomination and Remuneration Committee;
- approval of annual financial statements and the quarterly financial results prior to releasing to Bursa Securities Malaysia Berhad ("**Bursa Securities**"); and
- approval of material related party transactions and capital financing.

3.2 ROLES OF CHAIRMAN AND GROUP MANAGING DIRECTOR

The roles of the Chairman and Group Managing Director are distinct and separate to ensure balance of power and authority. The Chairman of the Board is primarily responsible for ensuring Board effectiveness and monitoring the workings of the Board whilst Group Managing Director has the overall responsibilities over the Group's operation, organisational performance effectiveness and implementation of Board policies and decisions. He is also responsible for the determination of strategic direction of the Group for the Board's consideration and approval.

3.3 ROLES OF BOARD COMMITTEES

The Board delegates specific responsibilities to the respective Board Committees comprising:-

- (i) Audit Committee;
- (ii) Nomination and Remuneration Committee ("**NRC**"); and
- (iii) Risk Management Committee ("**RMC**").



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The Board Committees operate within clearly defined roles and responsibilities as set out in Term of Reference of the respective Board Committees. The Board Committees report to the Board of their deliberations, findings and recommendations.

Minutes of the Board Committees are presented at the Board meetings for further discussion and direction. While these 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 the Group's success, business, strategy, risk management, operational and financial performance.

(i) Audit Committee

The key responsibilities of Audit Committee are to ensure high corporate governance practices whilst providing oversight on the Group's financial reporting, disclosure, regulatory compliance, risk management and monitoring of internal control processes within the Group. The Audit Committee meets regularly amongst others to review the quarterly results, full year financial statements, audit reports which include observations pertaining to risk management and internal controls, as well as related party transactions.

(ii) NRC

The members of NRC comprises entirely Non-Executive Directors with the majority being independent as required under Bursa Securities' Main Market Listing Requirements ("**Listing Requirements**").

The NRC reviews the procedures for appointment of Directors and senior management personnel of the Group and their remuneration packages. It also undertakes individual assessment of the members of the Board for re-appointment and new appointment. The determination of the remuneration of the Independent Non-Executive Directors ("**INEDs**") is a matter for the Board as a whole.

NRC is also tasked with the annual review of the required mix of skills and experience and other qualities of the Board members; examine size of the Board with the optimum number of Directors on the Board to ensure its effectiveness.



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(iii) RMC

The primary responsibility of RMC is to ensure that the integrated risk management functions within the Group are effectively discharged. The RMC assists the Board in, amongst others, identifying, evaluating, monitoring and reporting of risk areas and providing control measures, recommendations and management action plans to mitigate such risks through periodic meetings and updates to the Audit Committee in a timely basis.

3.4 ROLES OF SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

The Board has appointed a Senior Independent Non-Executive Director who acts as a designated contact to whom shareholders' concerns or queries may be raised, as an alternative to the formal channel of communication with shareholders.

4. BOARD SIZE AND COMPOSITION

Pursuant to the Constitution / Articles of Association of the Company, the Board shall not be less than two (2) directors and not more than nine (9). The Board has power under the Constitution / Articles of Association to appoint directors to fill casual vacancy or as additional directors.

The Board shall consist of qualified individuals with diverse set of skills, experience and knowledge necessary to govern the Company. The composition and size of the Board is such that it facilitates the decision making of the Board.

At any one time, at least two (2) directors or one-third (1/3), whichever is higher, of the Board members are Independent Directors. The Independent Directors provide independent judgment, experience and objectivity without 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 Chairman should be a non-executive member of the Board. Where the Chairman is not an Independent Director, the Board should comprise a majority of Independent Directors to ensure balance of power and authority on the Board.

5. BOARD FUNCTIONS



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5.1 ETHICS AND COMPLIANCE

5.1.1 Code of Ethics for the Board

The Code of Ethics for the Board provides guidance for proper standards of conduct, sound and prudent business practices as well as standard of ethical behaviour for Directors, based on principles of integrity, responsibility, sincerity and corporate social responsibility.

The Board observes the following Code of Ethics:-

- (i) Directors' Code of Ethics established by the Company;
- (ii) Companies Act, 2016; and
- (iii) The Code of Ethics for Company Directors issued by the Companies Commission of Malaysia.

5.1.2 Duty of Care and Diligence

All directors shall at all times exercise his/her powers for a proper purpose and in good faith in the best interest of the Company. He/she 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 he/she in fact has.

5.1.3 Business Judgement

A director who makes a business judgement is deemed to meet the requirements of the duty as aforesaid and the equivalent duties under the common law and in equity if he/she:-

- (i) Makes the business judgement in good faith for a proper purpose;
- (ii) Does not have a material personal interest in the subject matter of the business judgement;
- (iii) Is informed about the subject matter of the business judgement to the extent the Director reasonably believes to be appropriate under the circumstances; and
- (iv) Reasonably believes that the business judgement is in the best interest of the Company.

5.1.4 Reliance of Information Provided by Others



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A Director in exercising his/her duties may merely rely on information, professional or expert advice, opinions, reports or statements including financial statements and other financial data, prepared, presented or made by:-

- (i) Any officer of the Group whom the Director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- (ii) Any other person retained by the Group as to matters involving skills or expertise in relation to matters that the Director believes on reasonable ground to be within the person's professional or expert competence;
- (iii) Another director in relation to matters within the Director's authority; or
- (iv) Any committee to the Board of which the Director did not serve in relation to matters within the committee's authority.

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 statement or other financial data, having regard to the director's knowledge of the Group and the complexity of the structure and operation of the Group.

5.2 RISK MANAGEMENT

The Group adopts the Enterprise Risk Management ("**ERM**") framework to manage its risks. The ERM framework requires the Group to identify, evaluate, monitor, mitigate and report all material risks associated to its business and operations. The framework provides the Board and Management with a tool to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles and dictated by changes in business strategies, operation and regulatory environment, and functional activities from time to time.

5.3 POLICY AND PROCEDURES

The Group should establish and clearly document internal policies and procedures of its major business units to serve as day-to-day operational guides to ensure compliance with internal controls and applicable laws and regulations.

The policies and procedures shall be reviewed from time to time or as and when necessary, to ensure continuous improvements in operational efficiency taking into consideration the changing industry profile on regulatory requirements, risks and internal control measures for mitigation, and new products and services.

5.4 SUSTAINABILITY



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The Board recognises the importance of sustainability that improves the continuous improvement process for an organisation in the modern economy which includes the sound management of people and environment, and business sustainability eventually.

The Board shall take into consideration the interests of the community, employees, environment, shareholders and other stakeholders when making business decisions and managing resources in developing its sustainability strategies through internal policies which aim at securing sustainable elements to guide policies towards sustainability development. The Board should also introduce formal strategies on promoting the sustainability of the Company, with particular focus on the environmental, social and governance aspects of the business.

5.5 STAKEHOLDER COMMUNICATION

The Board will maintain an effective communications policy that enables both the Board and Management to communicate effectively with shareholders and the general public.

The Board will ensure that the General Meetings of the Company are conducted in an efficient manner and serve as a mode in shareholders communications. These include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the General Meetings.

6. BOARD EFFICIENCY

6.1 SELECTION OF CANDIDATES

The NRC is responsible for identifying and nominating suitable candidates for appointments to the Board for approval, either to fill vacancies or as addition to meet the changing needs of the Group. Before recommending an appointment to the Board, the NRC undertakes a comprehensive evaluation of the candidates. The NRC also takes into accounts the Group's business and matches the capabilities and contribution expected for a particular appointment.

The NRC shall conduct an interaction session with the proposed candidates and assesses the candidates based on the following aspects: -

- (i) Specific knowledge, skill and working experience of the candidate;
- (ii) Trainings attended by the candidate;
- (iii) Time commitment by the candidate;



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- (iv) Independence and conflict of interest;
- (v) External directorships of the candidate; and
- (vi) Personal and professional ethics, integrity and other expertise or knowledge that could complement to the experience and skill sets of other Board members.

6.2 APPOINTMENT TO THE BOARD

The appointment is conducted in accordance with the recommendation of the NRC and after deliberation and satisfaction by the Board.

6.3 TERMS OF APPOINTMENT

Each year, one-third (1/3) of the Directors retire from office at the Annual General Meeting, and being eligible, may offer themselves for re-election at the Annual General Meeting. In addition, all Directors shall retire from office once at least, every three (3) years, but shall be eligible for re-election.

Directors appointed during the financial year hold office until the next Annual General Meeting and if eligible, may offer themselves for re-election.

6.4 TENURE OF INDEPENDENT DIRECTORS

The tenure of service of Independent Directors shall not exceed a cumulative term limit of nine (9) years as recommended by the Malaysian Code on Corporate Governance. Upon completion of the 9 years, the Independent Director shall retire at the next AGM of the Company or to be re-designated as Non-Independent Non-Executive Director. Otherwise, the Board must justify and seek annual shareholders' approval to retain him/her as an Independent Director, upon recommendation of the NRC.

The NRC undertakes assessment of the independence of the Independent Directors, upon admission, annually and as and when new interest or relationship develops.

6.5 BOARD DIVERSITY

Boardroom diversity is good corporate governance. The Board shall at all times promotes and welcomes diversity and gender mix in its composition for ensuring that corporate board includes a diverse set of skills, backgrounds and knowledge which can widen the Board's perspective in effectively discharging its duties and responsibilities as well as assisting the Board in its decision-making process.

6.6 DIRECTORS' REMUNERATION



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The Group has in place a remuneration framework for Director and Key Senior Management of the Group. The framework is sufficient to attract, retain and remunerate Directors for their contribution to the Group. This framework includes fees, monthly and meeting allowances for INEDs which are based on industry standards and set by reference to the responsibilities taken on by them. In order that it remains competitive and consistent with the culture, objective and strategy of the Group, this remuneration framework is reviewed annually to ensure it remains the market competitiveness.

6.7 BOARD EFFECTIVENESS

The Board recognises the importance of assessing the effectiveness of individual directors, the Board and its Committees.

Annually, the NRC provides a formal and transparent procedure for the assessment on the effectiveness of individual directors and the Board as a whole. This shall take the form of questionnaires comprising a self-evaluation and the results of the assessment will be collected and collated by the Company Secretary, on behalf of NRC for review and to ascertain performance and effectiveness at the NRC meeting.

6.8 BOARD AND MANAGEMENT

The Board delegates authority and vests accountability for the Group's day-to-day operations to the Senior Management team led by the Chief Executive Officer who reports periodically to Group Managing Director, Board and Board Committees.

The Board delegates the resources management to the Senior Management team and has unrestricted access to any information pertaining to the Company and the Group. As such, the Senior Management team would be invited to attend the Board Meetings as and when necessary, to furnish with explanations and comments on the relevant agenda items tabled at the Board Meetings or to provide clarification on issue(s) that may be raised by the Directors. The Board and the Senior Management team work together to make decisions that will result in growth of the Company, and subsequent financial benefit to shareholders.

The Company has put in place the Directors' and Officers' insurance coverage against liabilities arising from holding offices by virtue of their positions and in connection with the performance of their responsibilities. Nevertheless, the Directors and Officers shall not be indemnified where he/she found guilty in respect of any negligence, default, breach of duty or breach of trust.

6.9 NEW DIRECTORSHIPS AND TIME COMMITMENT



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The Board values the experience and perspective gained by the Directors from their services on the board of other companies, organisations and associations. However, they are expected that they will always be in a position to allocate sufficient time to meet the expectation of his/her role as Directors of the Company.

All Board members shall notify the Board before accepting appointment of any new directorships in other listed companies as long as the new directorships is not in conflict with the business and does not affect his performance while holding office as Director of the Company. The notification shall include an indication of time that will be spent on the new appointment and to ensure that such appointments would not unduly affect his/her time commitment and responsibilities to the Board and the Group's corporate activities.

The Directors are guided by the Listing Requirements of Bursa Securities on attendance of at least 50% of Board Meetings held in a financial year.

6.10 RESTRICTION OF DIRECTORSHIPS

The limit on the number of directorships that may be held at any point of time by the Board members are not more than 5 for listed companies and no restriction of the number of directorships in non-listed companies, excluding the position on the Board of the Company which requires active involvement as a board member or such other requirements as prescribed by the Listing Requirements.

6.11 DIRECTORS' TRAINING AND DEVELOPMENT

Newly appointed Directors shall attend an induction programme which is tailored to meet their individual needs. This includes meeting with Management Personnel to enable them to build up a detailed understanding of the Group's business and strategy, and the risks and issues which they are faced. The induction training programme is supplemented by ongoing training and development programmes.

In addition to the Mandatory Accreditation Programme (MAP) to all the newly appointed Directors, the Board shall evaluate and determine the continuous training needs of its members from time to time in order to enhance his/her contribution to the Board and to effectively discharge his/her duties as a Board member.

Listing Requirements of Bursa Securities mandates a statement by the Board containing a brief description on the type of trainings directors have attended for the financial year. Where any of the Directors have not attended any training during the financial year, the reasons thereof for each Director must be stated.



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The Company Secretary facilitates the organisation of internal and external training programmes for Directors and keeps a complete record of the training attended by the Directors. Directors may request that training programmes on specific subjects be arranged in order to facilitate them in discharging their duties effectively.

6.12 COMPANY SECRETARY

The Board should ensure it is supported by a suitably qualified and competent Company Secretary.

The Company Secretary plays an important advisory role and as a central source of guidance, information and advice to the Board and Board Committees on issues relating to corporate compliance with the relevant laws, rules, regulations and procedures affecting the Board and the Group, as well as best practices of governance.

The Board members have unlimited access to the services of the Company Secretary and is updated with new regulatory, regulations or requirements of current developments in the regulatory framework and governance practice concerning their duties and responsibilities.

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

7. PROCESS OF BOARD

7.1 BOARD MEETING

(a) Proceedings

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they deem fit. A Director may at any time and the Secretary shall on his/her requisition summon a meeting of the Directors.

(b) Notice of Meeting

Unless otherwise determined by Directors from time to time, at least seven (7) days' notice of all Directors' meeting shall be given to all Directors. Any Director may waive notice of any meeting either prospectively or retrospectively.

(c) Quorum for Board Meeting



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As provided by the Constitution / Articles of Association, the quorum shall comprise at least two (2) Directors for the time being of the Company.

(d) Frequency of Meeting

The Board shall meet regularly to discuss business strategy, financial performance, potential strategic acquisition or alliances, matters pertaining to compliance and governance as well as reports on matters deliberated by the respective Board Committees. On a quarterly basis, amongst others, the Board reviews financial performance of the Group, reports from internal auditors and approves the quarterly results of the Group at its meeting.

(e) Attendance at Board Meeting

The office of a Director shall become vacant if a Director is absent from more than 50% of the total Board Meeting held in a calendar year.

(f) Voting

Any question arising at a Board Meeting is decided by a majority of votes and the Chairman of the meeting has a second casting vote. A Director is required to abstain from deliberation and voting in respect of any contract or proposed contract or arrangement in which he/she has direct or indirect interest.

(g) Conflict of Interest

The Directors shall comply with the Companies Act, 2016 in connection with disclosure of shareholdings and interest in the Group and interest in any contract or proposed contract with the Group, which includes the nature, character and extent of any office or possession of any property, whether directly or indirectly duties or interest that might be created in conflict with his/her duty or interest as a Director of the Company.

(h) Right of Directors to access information and advice

Management provides the Board and Committees with information in a form, within acceptable timeframe and quality that enables them to discharge their duties and responsibilities effectively.

Directors are entitled to request and receive additional information that they consider necessary in order to make informed decision, including obtaining professional independent advice at the Group's expense.

7.2 COMMITTEE MEETING

The Board Committees meet periodically to deliberate on matters under their purview.

7.3 DECISION-MAKING



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All corporate strategic decisions are made at Board Meetings after due processes, discussions and deliberations.

Where appropriate, decisions are also taken by way of circular resolutions in between scheduled meetings. Such resolutions are signed by all the Directors, shall be valid and effectual as if it had been passed at a Board Meeting duly convened and held.

8. REVIEW OF BOARD CHARTER

This Board Charter has been endorsed by the Board and is made available for reference on Company's corporate website.

It shall be reviewed by the Board and updated from time to time to ensure the Group remains at the forefront of best practices in corporate governance. Any subsequent amendments to the Board Charter should only be approved by the Board.