



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 (“Corporation”). The Board is expected to show good stewardship and act in a professional manner, as well as upholding 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 the Corporation 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 Memorandum and Articles of Association (“M&A”) of the Corporation and the laws of Malaysia governing the Corporation.



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 ten (10) Directors with minimum one third (1/3) 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).
- 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 5 listed companies excluding the subsidiaries or the Corporation's subsidiaries and not more than 10 non-listed companies excluding the family-owned companies.

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 the Corporation'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 for assessing the nominee(s) for directorship and Board Oversight Committees' memberships. BNRC shall thereupon submit its recommendation to the Board for decision.
- iv) Bank Negara Malaysia shall be informed accordingly of any appointment of a Director.

Qualification Criteria

- i) The qualification criterion for the appointment of Director shall be governed by the Companies Act 1965, the Corporation's Article of Association and the criteria set under Corporation's Guideline On Appointment of the Board of Directors.

Tenure

- i) The length of service for each term shall not exceed three (3) years and the Directors can be re-appointed subject to Shareholders' approval at the General Meeting.
- ii) The entire term of service for a Director shall not exceed three (3) terms or nine (9) years in total. This requirement is only applicable to the Independent Directors. In the event that the service of an Independent Director is to be further extended, the same shall be subjected to Board's recommendation and the Shareholders' approvals at the General Meeting respectively.

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

Re-Election

- i) The re-election of Directors shall takes place each year at the Annual General Meeting of the Corporation 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

- i) The Board will be guided on other matters relating to Directors as set under the Corporation'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 aims at communicating to the newly appointed Directors, the Corporation’s vision and mission, the philosophy and nature of the business, current issues within the Corporation, the corporate strategy and the expectations of the Corporation.
- 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 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 Board Nomination and Remuneration Committee (“BNRC”) is empowered by the Board to conduct the annual assessment on the performance of each Director.
- ii) The results on the BNRC assessments will be reported to the Board and the BNRC 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) The 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 the Board of Directors 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 ordinary duties as a Director.
- iv) The remuneration of the Directors shall from time to time be determined by the Corporation in General Meeting.



3. PRINCIPAL ROLES AND RESPONSIBILITIES

3.1 Board of Directors

- i) Pursuant to the Articles of Association, in general the business of the Corporation shall be managed by the Board.
- ii) Except for matters which require the approval from the Corporation's Shareholders, the Board may exercise all such powers of the Corporation and do on behalf of the Corporation or such acts as may be exercised and done by the Corporation.
- 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 the Corporation's future leaders and human capital;
 - d) Understand and manage the Corporation's risks;
 - e) Adopt shareholders' perspective when making decisions;
 - f) Balance valid stakeholders' interests; and
 - g) Performing 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 discretions and responsibilities of the Board. Unless otherwise restricted by the Companies Act 1965 or the Corporation's Articles of Association, 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 the Corporation's General Meetings and directing the Board discussions to effectively use the time available to address the critical issues facing the Corporation;
- d) promoting constructive and respectful relationship among each Director and between the Board and the Management; and
- e) ensuring that there are effective communications between the Corporation and/or its subsidiaries and its shareholders and/or relevant stakeholders.

3.3 President / Chief Executive Officer

- i) The President / Chief Executive Officer is responsible to the Board for the day-to-day management of the Corporation.
- ii) The key roles of the President / Chief Executive Officer, inter alia are as follows:-
 - a) executing the strategic direction of the Corporation as set by the Board;
 - b) ensuring that the Corporation 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 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 of Directors Meetings after due processes, discussions and deliberations.

4.2 Circular Resolution

- i) In between the Board of Directors 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 Board Members shall be as effective for all purposes as a resolution passed at Board of Directors Meeting duly convened, held and constituted.

4.3 Independent Advice

The Board may seek independent advice and information in the furtherance of their duties at the Corporation'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 the Corporation's Articles of Association, 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 Board in carrying out its responsibilities:-
 - a) Governance and Audit Committee
 - b) Risk Management Committee
 - c) Investment Committee
 - d) Nomination and Remuneration Committee
 - e) Bumiputra Development Committee
- 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 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.
- iv) Minutes of the Board Oversight Committees Meetings are presented at the Board of Directors Meetings for further discussion and direction.
- v) 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 the Corporation's success, business, strategy, risk management, operational and financial performance.
- vi) 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) 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 deemed 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 the Corporation.
- 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 Articles of Association 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 the Corporation.
- 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 the Corporation.
- 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 the Corporation (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 the Corporation 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 the Corporation and the complexity of the structure and operation of the Corporation.

7. GENERAL MEETINGS

- i) An Annual General Meeting ("AGM") shall be held once in a calendar year at such time (not being more than fifteen months after the holding of the last preceding General Meeting) 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 to decide on any special or urgent matters requiring immediate attention of the Corporation.

8. CONFIDENTIALITY AND DISCLOSURE OF INTEREST

- i) The Directors are required to act in the best interests of the Corporation and shall undertake the duty of confidentiality in relation to the Corporation's confidential information.
- ii) A Director shall disclose to the Board:
 - a) any personal / family interest in a matter which relates to the affairs of the Corporation; and
 - b) any other interest (direct or indirect) which is appropriate to be disclosed in order to avoid any conflict of interest or the perception of a conflict of interest.
- 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 the Corporation'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 can be made via approval by the Board.

BOARD CHARTER



- ii) The Board Charter would be periodically reviewed and updated in accordance with the needs of the Corporation and any new laws or regulations that may have an impact on the discharge of the Board's duties and/or responsibilities.

**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 the Corporation 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 the Corporation or Group.
16. Approval of investment policies and bank mandate.
17. Approval of the Authorized Signatories and Approving Limits of Authority for the Corporation.
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.
24. Review the effectiveness of the Corporation's system of internal control.

Other Matters

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