



# BOARD POLICY MANUAL

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## MMC BOARD POLICY MANUAL

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## **1. INTRODUCTION**

The Board of Directors of MMC Corporation Berhad ("the Board") regards corporate governance as essential and crucial to the success of MMC Corporation Berhad ("MMC") Group's business. Hence, the Board is unreservedly committed to apply the principles of good governance in all of its business dealings.

Since the Board is ultimately accountable and responsible for the performance and affairs of MMC Group of Companies, all members of the Board are expected to 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.

## **2. PURPOSE**

The Board Manual acts as a source of reference to the Board for matters relating to the Board's organisation, responsibilities and procedures, etc. The powers and authority of the Board are derived from the Company's Constitution, the Malaysian Companies Act as amended from time to time, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements). It is not intended to replace or supersede the laws or other regulatory requirements of Malaysia.

## **3. BOARD LEADERSHIP**

There are two (2) primary responsibilities, namely the running of the Board and the executive responsibility for the running of the Company's business. There should be a clear division of responsibilities between the Chairman and the Group Managing Director/Group Chief Executive Officer to ensure a check and balance of power and authority, so that no one individual has unfettered powers of decision making.

The Board's primary commitment to the shareholders/company is to lead and oversee the business of MMC Group of companies and to ensure that the conduct of MMC Group of companies promotes business sustainability, integrity and complies with the relevant law, rules and regulations.

The roles of the Chairman and Group Managing Director/Group Chief Executive Officer in MMC are separate, each with responsibility clearly divided between them as follows:

### 3.1 Chairman

The Chairman of the Board is appointed from a member of the Board who is a Non-Executive Director. The Chairman provides visionary leadership and guidance to the Board in the governance aspects.

Some of the roles and responsibilities of the Chairman are as follows:

- (a) Provide Leadership to the Board;
- (b) Chair meetings of the Board in such a manner that will stimulate debate on issues before the Board and encourage the most effective contribution from each member;
- (c) Chair meetings of shareholders and ensure effective communication with shareholders and relevant stakeholders;
- (d) Consultation with the Company Secretary in setting the Agenda for the Meeting;
- (e) Act as liaison between the Board and Management. The Chairman should act as the main link between the Board and Management and particularly between the Board and the Group Managing Director/Group Chief Executive Officer;
- (f) Ensure proper committee structure, including assignments of members and committee chairmen. The Chairman should also ensure that there is a succession plan framework for the Board, evaluated by the Nomination and Remuneration Committee and approved by the Board;
- (g) Ensure that all Board members, upon taking up their office, are fully briefed on the terms of their appointment, time commitment, duties and responsibilities, and the business of MMC Group of companies; and
- (h) Conduct performance assessment of the Board, its committees and individual Directors.

### 3.2 Group Managing Director/Group Chief Executive Officer

The Group Managing Director/Group Chief Executive Officer is a member of the Board. He is accountable to the Board for the overall organisation, management, and staffing of the Group and for its procedures in financial and operational matters, including conduct and discipline. The Group Managing Director/Group Chief Executive Officer's financial authority is explicitly provided for in the Company's Limits of Authority approved by the Board. He is assisted in the management of the Group's businesses by the Management team.

The responsibilities of the Group Managing Director/Group Chief Executive Officer includes:

- (a) Foster a corporate culture among the employees that promotes ethical practices, encourages individual integrity, and fulfillment of corporate social responsibility;
- (b) Develop and recommend to the Board a long-term strategy and vision for the Company that will lead to the creation of shareholders' value;
- (c) Develop and recommend to the Board, the Company's operational plans and budgets that support the Company's long-term strategy;
- (d) Ensure achievement of the Company's objectives and goals, as contained in the strategic plan;
- (e) Manage the overall businesses and oversee the day to day operations of the Company;
- (f) Recommend management structure and operating authority levels which includes delegation of responsibilities to Management;
- (g) Ensure that the Company has an effective management team and an active plan for its development and succession. Reports to the Board annually on the succession and management development plan;
- (h) Formulate and oversee the implementation of major corporate policies;
- (i) Responsible for the financial management of the Company and oversee the handling of financial matters which includes keeping proper accounts and ensure efficient and effective use of all resources;
- (j) Report to the Board on key performance indicators ("KPIs") in relation to the financial results, market conditions and other developments; and
- (k) Reports to the Board on significant business decisions undertaken by the MMC Group of Companies.

#### **4. BOARD COMPOSITION**

MMC's Board comprises an Executive Director, Non-Independent Non-Executive Director and Independent Non-Executive Directors, thus achieving the desired level of objectivity and independence in the Board's deliberation and decision-making.

The Company's Constitution stipulates that the number of Directors shall be not less than two (2) and not more than twelve (12). In addition, at least two (2) Directors or one third (1/3) of the Board, whichever is higher, shall be Independent Directors. This is in line with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

The composition of the Board needs to demonstrate the range of experiences necessary for applying independent judgment on issues of strategy, performance, resource utilisation and standards of conduct, all of which are vital to the Company.

The present Directors of MMC provide a wealth of knowledge, experience and skills in the key areas of economic, accountancy, engineering, business and law, amongst others. The composition and size of the board is such that it facilitates the making of informed and critical decisions in ensuring MMC achieves the highest level of corporate governance.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness.

#### 4.1 Appointment and re-election of Director

A formal and transparent procedure exists vis-à-vis the appointment of new Director to the Board, the primary responsibility of which has been delegated to the Nomination and Remuneration Committee ("NRC"). In making recommendation to the Board, the NRC will consider the required mix of skills, experience and diversity, including gender, where appropriate, which the Director bring to the Board.

The proposed candidate will also undergo a background check with the Malaysian Anti-Corruption Commission ("MACC") prior to being appointed to the Board.

The Board members have no fixed term of appointment. Nevertheless, Article 78 of the Company's Constitution states that at each Annual General Meeting, one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), the number nearest to one-third (1/3), shall retire from office. A Director retiring at general meeting shall hold office until the conclusion of that meeting.

A newly appointed Director will only hold office until the next Annual General Meeting at which they will retire and become available for re-election.

All Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

All Directors shall notify and discuss with the Chairman prior to acceptance of any new directorship. The notification shall include an indication of time that will be spent on the new appointment.

#### 4.2 Independent Director

The Board is structured to ensure that it consists of one third (1/3) of Independent Directors with expertise and skills from various fields.

The definition of Independent Director follows that of the Listing Requirements, Paragraph 1.01 and Practice Note 13.

The independence of Independent Directors is assessed annually by taking into consideration of disclosure of interests as well as having regard to the criteria for assessing the independence of Directors in the annual Board Assessment.

#### 4.3 Senior Independent Director

A Senior Independent Director is appointed among the Independent Directors, to whom concerns of fellow members as well as the shareholders and stakeholders may be conveyed.

#### 4.4 Vacation of Office by Director

Article 89 of the Company's Constitution and Paragraph 15.05 of the Listing Requirements provide the circumstances of which an office of a Director shall become vacant.

### 5. DUTIES AND RESPONSIBILITIES OF THE BOARD

The Board is explicitly responsible for the stewardship of the Company as well as in discharging its obligations. Hence, the Board assumes, amongst others, the following duties and responsibilities:

- (a) Review and adopt the overall strategic plans and programmes for the Company and the Group;
- (b) Oversee and evaluate the conduct of business of the Company and the Group;
- (c) Review and ensure that transaction entered into with a related party is fair, reasonable and not to the detriment of minority shareholders;
- (d) Identify principal risks and ensure implementation of a proper risk management system to manage such risks;
- (e) Establish a succession plan;
- (f) Develop and implement a shareholder communication policy for the Company; and
- (g) Review the adequacy and the integrity of the management information and internal controls systems of the Company and the Group.

The conduct of the Board members shall be consistent with their duties and responsibilities to the Company and the shareholders.

The Directors shall always act within the limitations imposed by the Board on its activities. The Directors' responsibilities and limitations are primarily set out in the Company's Constitution, the Companies Act, the Listing Requirements, Capital Markets and Services Act 2007, the Board's and/or shareholders' resolutions or any other relevant Acts/Legislations.

## **6. BOARD COMMITTEES**

The Board may from time to time establish committees as is considered appropriate to assist in carrying out its duties and responsibilities. Delegating authority to the Board committees does not in any way absolve the Board from discharging their duties and responsibilities.

The MMC Board has established three (3) standing committees, each operating within defined terms of reference, to assist the Board in discharging its responsibilities. The minutes of each committee's meetings are circulated to all Board members so that each Director is aware of the deliberations and resolutions made.

The committees are:

### **(a) Audit Committee (AC)**

#### Composition

The AC comprises four (4) Non-Executive Directors, majority of whom are Independent Directors. The Chairman of the AC is also an Independent Director. Two (2) of the existing members of the AC are members of the Malaysian Institute of Accountants and have sufficient accounting experience.

The quorum for meetings of the AC shall be two (2) members.

The AC meets four (4) times a year with additional meetings held, where necessary. The Group Managing Director/Group Chief Executive Officer, the Chief Internal Auditor and external auditors attend such meetings by invitation and provide reports as required by the committee. At least twice a year, the AC shall meet with the external auditor, in the absence of Management.

#### Authority

The AC is empowered by the MMC Board and has the authority to:



- Investigate any matters within its terms of reference;
- Utilize the resources which are required to perform its duties;
- Have full, free and unrestricted access to any information, records, properties and personnel of any company within the Group;
- Have direct communication channels with the auditors;
- Be able to obtain independent, professional or any other advice; and
- Be able to convene meetings with external and internal auditors.

#### Duties and Terms of Reference

The duties of the AC include amongst others:

- Consider the appointment of auditors and their audit fees;
- Discuss the nature and scope of the audit plan;
- Approve any appointment or termination of senior staff members of the internal audit function as well as appraisal and review of its performance;
- Review the results of the operational audit reports and monitor the implementation of recommendations made;
- Review the quarterly results and annual financial statements;
- Review the internal audit programme and consider the findings made by the internal auditors;
- Review the Company's internal control systems; and
- Review any related party transactions within the MMC Group.

### **(b) Nomination and Remuneration Committee (NRC)**

#### Composition

The NRC comprises of three (3) Non-Executive Directors, including the Chairman. A majority of the members of the committee are Independent Directors.

The quorum for meetings of the NRC shall be two (2) members.

#### Duties and Terms of Reference

The duties of the NRC include amongst others:

- Consider and recommend to the Board suitable candidates for appointment as Board members of MMC, its committees, subsidiaries and associates companies based on the pre-determined criterias;
- Assess annually the effectiveness and performance of the Board as a whole, its committees and the contribution of each individual Director;
- Assess annually the independence of an Independent Director who has served for a cumulative period of nine (9) years;
- Facilitate Director's induction and training programs;
- Review and recommend to the Board the general remuneration policy of the MMC Group of Companies;
- Recommend to the Board the remuneration package of the Non-Executive Directors, Group Managing Director/Group Chief Executive Officer and Senior Management of MMC Group of Companies (Grade 17 and above); and
- Review the performance of the Group Managing Director/Group Chief Executive Officer and Executive Directors within the MMC Group against their predetermined performance targets.

**(c) Finance, Investment and Risk Committee (FIRC)**

Composition

The FIRC comprises three (3) Non-Executive Independent Directors.

The quorum for meetings of the FIRC shall be two (2) members.

Duties and Terms of Reference

The duties of the FIRC include amongst others:

- Review, monitor and recommend to the Board on the financial plan, operational and capital budgets, annual and supplementary budgets as well as the financial performance of MMC Group of Companies;
- Monitor and review investments in subsidiaries and associates companies;
- Oversee the establishment and implementation of the risk management system of the Group of which the effectiveness of the system is reviewed annually;
- Review and approve the management framework and policies to be adopted by the MMC Group of Companies;

- Review periodic report on the risk management of the MMC Group of Companies and deliberate on key issues highlighted by the Group Risk Management Committee;
- Review the effectiveness of MMC Group's strategies, policies, procedures, principles and practices pertaining to sustainability in upholding good Economic, Environmental and Societal ("EES") practices; and
- Review Sustainability Statement of the Group to be incorporated in the Annual Report or any other statement to be made public prior to recommending the same to the Board for approval.

## 7. **BOARD MEETINGS**

The Board meets every quarter with additional meetings convened as and when urgent issues and/or important decision are required to be addressed between the scheduled meetings.

### 7.1 Quorum

The Company's Constitution provides that the quorum for Board meetings shall be two (2) members.

### 7.2 Agenda and meetings papers

The agenda for each meeting shall be circulated to the Board members not less than five (5) days before each meeting, unless otherwise waived, in respect of board meeting called at short notice for urgent matter(s) requiring the Board's immediate attention.

### 7.3 Voting

Questions arising at any meeting of the Directors shall be decided by a majority of votes, each Director having one (1) vote and in case of equality of votes, the Chairman shall have a second or casting vote. Directors can cause their disagreement with the decision agreed by the majority of the Board together with their reasons to be noted in the minutes of meetings.

#### 7.4 Minutes of meeting

The Company Secretary shall minute the proceedings and resolution of all Board and committees' meetings. All resolutions are recorded and thereafter circulated to the Directors for comments before the minutes are finalised and confirmed. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall be distributed to all Members of the Board.

#### 7.5 Participation of Members

Board Members are expected to make all efforts to attend Board meetings and prepare thoroughly for deliberations of the Board. Board Members are expected to participate in Board discussions and activities and to bring the benefit of their particular knowledge, skills and abilities to the Board deliberations.

Board discussions should be open and constructive, recognising that genuinely held differences of opinion could, in circumstances, bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus in the Board but may, where necessary, call for a vote. All discussions and their records will remain confidential unless there is a specific direction from the Board to the contrary or disclosure is required by law.

#### 7.6 Conflicts of Interest

Board members are required to inform the Board of conflicts or potential conflicts of interests they may have in relation to particular items of business transacted by the Group.

Board members shall abstain themselves from discussion or decisions on matters in which they have a conflicting interest.

### 8. **BOARD EVALUATION AND PERFORMANCE**

The NRC on an annual basis, undertakes a formal and transparent process in evaluating the effectiveness of individual Directors, the Board as a whole and its committees, as well as the performance of the Executive Director in respect of their respective skills and experience, pursuant to the Annual Assessment exercise.

A questionnaire will be circulated to all Board members of which the responses will be collected and collated by the Company Secretary, on behalf of the NRC. The NRC, upon discussion of the results, will present the findings to the Board.

#### **9. BOARD DIVERSITY**

The Board aims to maintain a diversity of expertise, skills and attributes among the Directors. In addition, the Board is also committed in pursuing gender, age and ethnicity diversity across the Group as a combination of personalities that provides a comprehensive range of perspective and experiences resulting in improved quality of decision making.

#### **10. DIRECTORS' REMUNERATION**

The Board will determine the level of remuneration paid to Directors, taking into consideration the recommendations of the NRC.

The level and make-up of remuneration should be sufficient to attract and retain the Board members needed to run the Company successfully, but the Company should avoid paying more than is necessary for this purpose.

The component parts of remuneration should be structured so as to link reward to corporate and individual performance. As for Independent Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the said Independent Non-Executive Directors.

Non-Executive Directors will be paid directors' fee. Additional allowance shall be paid based on their responsibilities in the Board and on the committees and/or for any other special skills and expertise that they bring to the Board. Any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Executive Director shall receive no fees but shall be paid as full-time employees of the Company.

A formal and transparent procedure has been established by MMC for developing the policy on executive remuneration and for fixing the remuneration packages of individual Board members.

The Board should report to the shareholders on the Directors' remuneration and this should be included in the annual report of the Company.

#### **11. DIRECTORS' TRAINING**

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 and life-long learning. This will enable Directors to effectively discharge his/her duties and promote active participation in the Board's deliberation. The Board through the NRC shall assess the training need of the Directors from time to time.

#### **12. BOARD'S RELATIONSHIP WITH SHAREHOLDERS**

The Board must endeavor to familiarise itself with issues of concern to the shareholders.

The Company encourages its shareholders to attend its Annual General Meeting, which provides opportunities for the shareholders to put forth questions on the Company's business and affairs to the Board.

The Board shall evaluate economic, political, social and legal issues on a regular basis, as well as any other relevant external matters that may influence or affect the development of the business of the Company or the interests of the shareholders and, if necessary, take outside expert advice.

#### **13. MANAGEMENT OF RISK**

The Board is responsible for the total process of risk management and has endorsed an ongoing risk management and internal control framework which applies throughout the Group to determine, evaluate and manage significant risks.

The Board must appreciate the business risk issues and key performance indicators affecting the ability of the Company to achieve its strategic purpose and objectives.

The Board must ensure that appropriate system are in place to manage the identified risks, measure the impact and to proactively manage it, so that the Company's assets and reputation are adequately protected.

The process is regularly reviewed by the Board through the FIRC, taking into consideration changes in the business environment, strategies and functional activities of the Group from time to time.

#### **14. COMPANY SECRETARY**

The Company Secretary has a key role to play in ensuring that Board policies and procedures are both followed and reviewed regularly. It is also the responsibility of the Company Secretary in law to ensure that each Board member is made aware of and provided with guidance as to their duties, responsibilities and powers and support the Board in carrying the roles and responsibilities.

The Board, in its own best interests, must ensure that the Company Secretary is suitably qualified and remains competent to fulfil the functions for which he/she has been appointed. In this respect, the appointment and removal of the Company Secretary shall be the sole prerogative of the Board, as a whole.

The Company Secretary is responsible for ensuring that Board procedures are followed and that the application of the rules and regulations for the conduct of the affairs of the Board are complied with to ensure the Board's efficient operation. The Company Secretary is also responsible for ensuring compliance by the Company with the relevant regulations affecting the Company, including but not limited to the Companies Act 2016, the Listing Requirements and the Capital Market and Services Act, 2007 provisions, where applicable.

In addition to the statutory duties, Company Secretary must provide the Board as a whole and the Board members individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the Company.

The Company Secretary must keep abreast of, and inform, the Board of current developments in the regulatory framework and governance practices.

The Board members have unlimited access to the services of the Company Secretary.

#### **15. ACCESS TO INFORMATION AND INDEPENDENT ADVICE**

The Directors, collectively or individually, may seek independent professional advice and information in the furtherance of their duties at the Company's expense, so as to ensure that the Directors are able to make independent and informed decision.

**16. CODE OF ETHICS**

The Company has adopted a Code of Ethics ("the Code") to be implemented throughout the Group, which demonstrates its commitment to doing business responsibly and ethically. By articulating the principles by which the Company conduct its business, the Code allows the employees to work and make decisions confidently and in a manner that supports its vision and values. The Code helps the Company achieve the right things in the right manner at all times. The Code shall apply to the Board, Management and employees irrespective of their seniority or designations.

**17. REVIEW OF THE BOARD MANUAL**

The Board Manual will be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.