



MICG

MALAYSIAN INSTITUTE OF
CORPORATE GOVERNANCE

Board Charter



BOARD CHARTER
(Revised 11 May 2022)

INTRODUCTION

The Malaysian Institute of Corporate Governance (MICG) was established in March, 1998 as a non-profit public company limited by guarantee. MICG's role is to promote and encourage corporate governance development through membership, education and training.

The Board Charter is intended to provide a basis for good corporate governance in boardroom activities as well as to formalise the various roles and responsibilities of MICG's Board of Governors (BoG), Board Committees and individual Governors of MICG. The aim is to streamline and enhance corporate governance in line with MICG's Core Values. Whilst the Charter serves as a structured guide, it is not intended to be, nor should it be construed as exhaustive.

Interpretation in this Charter

'Board or BoG' means the Board of Governors;

'Board Committees' means committees established by the BoG from time to time including Audit Committee and Nominating Committee;

'CEO' refers to Chief Executive Officer as the principal officer of the Institute;

'Company Secretary' means the secretary to the BoG or the person normally exercising the functions of the secretary to the Board of Directors as defined in the Companies Act 2016 or any statutory modification or amendment thereof for the time being;

'Institute' or 'MICG' means Malaysian Institute of Corporate Governance;

'Chairman' means the Chairman of the BoG and is used in a gender-neutral sense;

'Chairman', 'Deputy Chairman' and 'Audit Committee Chairman' mean those persons holding offices within the Institute from time to time;

'Working Days' means days which banks are opened for business in Malaysia;

'Management' means the management personnel of the Institute; and Reference to the word 'he' shall include the female gender unless otherwise stated.

MICG's Purpose

To advocate and to raise the level of awareness and the standards of practice of corporate governance in Malaysia.

MICG's Core Values

Integrity, Accountability, Transparency and Sustainability.

MICG's Vision

To be the leading advocate of Corporate Governance in Malaysia.

MICG's Mission

- a. To promote Corporate Governance in Malaysia
- b. To define Corporate Governance best practices
- c. To facilitate the adoption of Corporate Governance best practices

MICG will provide “thought leadership” through applied research, articles and commentaries; membership; education and training to create greater awareness of corporate governance best practices with its members and the public.

MICG's Objectives

- a. To be a leading organisation for corporate governance development and promotion of awareness and best practices for all corporate stakeholders.
- b. To establish linkages and networking with leading international corporate governance organisations, to collaborate with relevant authorities and regulatory agencies.
- c. To be independent and impartial in providing input or information to enhance the performance of corporate entities to intended investors, from within and outside Malaysia.

Benefits for MICG members

Members' involvement in MICG fosters wider respect for and trust of good corporate governance and the adoption of best practices.

1. MICG's BoG

1.1 Role of the Board

The primary role and responsibility of the MICG BoG is the furtherance of MICG's objectives which include the following:

- a. Promoting awareness of corporate governance and encouraging professional interaction among members;
- b. Raising the profile of the Institute locally and abroad;
- c. Safeguarding the Institute's assets;
- d. Ensuring the Institute's financial and non-financial performance is healthy, sound and adequately monitored at all times and serves to promote the sustainability of the Institute;
- e. Approving policies governing the operations of MICG, including policies to regulate and control the recognition and adoption of risk of all kinds by the Institute, and the adoption and monitoring of an effective system of internal controls;
- f. Managing and monitoring the appointment of and succession planning for positions on the BoG and the position of CEO;

- g. Providing advice and guidance to MICG's CEO;
- h. Ensuring MICG's business is conducted ethically and transparently at all times;
- i. Considering the interests of all stakeholders of MICG.

The BoG may establish such committees of the BoG as it deems to be appropriate to give effect to its role and responsibilities.

1.2 Role of the Chairman

The Chairman's responsibilities include:

- a. providing appropriate leadership to the MICG BoG;
- b. facilitating the BoG discussions to ensure the principal issues are adequately addressed, including the setting of the agenda and ensuring the availability of all necessary information and advice (including third party advice when appropriate) in consultation with the MICG CEO;
- c. maintaining a regular dialogue with and providing advice and guidance to the MICG CEO; and
- d. monitoring board performance.

1.3 Role of the MICG CEO

The MICG CEO, who shall be the principal officer of the Institute, is responsible for the overall management of MICG in accordance with the strategy and policies approved by the Board.

The CEO serves as a conduit between the Management and the BoG and is responsible for the effective implementation of the Institute's strategic plan and policies established by the BoG, besides managing the daily operations of the Institute.

1.3.1 Generally, the CEO, is responsible to the BoG for the following:

- a. achievement of Institute's goals and observance of Management authorities delegated by the BoG;
- b. developing long-term strategic and short-term business plans, designed to enable the Institute's requirements for growth and profitability are achieved; directing and controlling every aspect of MICG's business operations, on a day-to-day basis in a cost effective manner;
- c. providing assistance to members of the BoG and the Board Committees, as required, in discharging their duties; and
- d. assisting the Chairman in organising information necessary for the Board to deal with the agenda and for providing such information to Governors on a timely basis.

1.3.2 The Board shall receive the following from, or through, the CEO at its scheduled meetings:

- a. reports on the performance and activities of the Institute for the period under review, including explanations of significant fluctuations over the period; and
- b. where appropriate, a briefing pertaining to risk management issues, challenges faced by the Institute, changes to legislation that may affect the Institute's operations, litigations and other salient events or issues affecting the Institute.

1.3.3 The CEO shall act within all specific authorities delegated to him/ her by the BoG.

1.4 Company Secretary

1.4.1 The appointment and removal of the Company Secretary is a matter for the BoG as a whole. The Company Secretary shall be suitably qualified and capable of carrying out the duties required of the post.

1.4.2 The Company Secretary is expected to provide impartial and comprehensive advice and services to the Governors, as and when needed, to facilitate the effective functioning of the BoG and ensure both regulatory compliance and good corporate governance practices are followed.

1.4.3 The primary responsibilities of the Company Secretary shall include the following:

- a. ensuring that the BoG's procedures and applicable rules are observed;
- b. maintaining records of the BoG and Board Committees and its respective meetings and ensuring effective management of the Institute's records;
- c. preparing comprehensive minutes to document the BoG and Board Committee proceedings and ensure conclusions are accurately recorded;
- d. timely dissemination of information relevant to Governors' roles and functions and keeping them updated on new or evolving regulatory requirements; and
- e. carrying out other functions as deemed appropriate by the BoG from time to time.

1.5 Board Structure

1.5.1 Board Composition and Size

The BoG, having taken account of any recommendations from its Nominating Committee, shall examine and determine the composition and size of the board periodically in relation to the effective running of the Institute's activities, with reference to the Constitution of MICG.

1.5.2 Appointment of new or additional Governors

Nominations of new or additional Governors are first considered by the MICG Nominating Committee, which makes recommendations to the BoG, based on its Terms of Reference and after taking into account the range of skills and experience required in relation to:

- a. the nature of MICG;
- b. the current composition of the BoG;
- c. the need for independence;
- d. the strategic directions of MICG;
- e. leadership ability, experience, academic and professional qualifications, and other personal skills and attributes of the individual;
- f. any relevant issues of diversity in the BoG membership; and
- g. any relevant issues of industrial or geographic balance.

1.5.3 Board Diversity Policy

1.5.3.1 Purpose

The Board Diversity Policy (the 'Policy') sets out the approach to diversity on the BoG.

1.5.3.2 Scope

The Policy applies solely to the BoG and does not extend to cover diversity in the Institute's recruitment practices of other MICG personnel.

1.5.3.3 Policy Statement

The BoG advocates a genuinely diverse Board, which incorporates differences in the skills, regional and industry experience, background, race, gender and other qualities of Governors. Such differences will be considered in determining the optimum composition of the Board, and directing the Nominating Committee when necessary, with a view to achieving appropriate Board balance.

The Institute's Objectives and Core Values are taken into consideration in the application of this Policy. The strategic intention is the attraction, retention and development of a diverse team of skilled people towards achieving the Institute's goals and implementing its strategy, with a focus on the following:

1. Identifying and creating the optimal balance of skills and industry experience, background and gender of Governors;
2. Retaining Governors based on performance and merit, in the context of skills, time commitment and experience, in promoting the BoG effectiveness; and
3. Subject to the BoG's directives, the Nominating Committee will review and assess the BoG's composition and mix and make recommendations to the BoG on the appointment of new Governors. The Committee has the following responsibilities:
 - a. to recommend candidates for appointment based on merit and the absence of prejudice, whilst also considering the advantages of diversity in the BoG composition;
 - b. to consider the mix of skills, experience, independence, knowledge and the diversity of their presence on the BoG, as part of the annual performance evaluation of the effectiveness of the BoG, Board Committees and individual Governors; and
 - c. to develop measurable objectives to implement the Policy and for monitoring progress towards the achievement of these objectives.

1.5.3.4 Measurable Objectives

On an annual basis, the Nominating Committee will discuss appropriate measurable objectives for achieving diversity on the BoG and recommend them for adoption.

1.5.3.5 Monitoring and Reporting

MICG's Annual Report will include a summary of this Policy, the measurable objectives set for implementing the Policy and progress made towards achieving those objectives.

1.5.3.6 Review of the Policy

The Nominating Committee will review and assess the effectiveness of the Policy as and when requested by the BoG and make appropriate recommendations for revisions to be approved by the BoG.

1.5.4 Removal of Governors

In the absence of an official complaint lodged against a Governor, the removal of a MICG Governor should first be considered by the Nominating Committee, which will make recommendations to the BoG, and the BoG will make the ultimate decision. In the event of an official complaint being lodged against a Governor, the disciplinary process provisions of MICG's Code of Conduct will be followed.

Subject to such other provisions of this Charter as may be applicable, or as may otherwise be provided in any subsisting and superior agreement by which MICG is bound, the office of a member of the BoG shall be vacated, if:

- a. a receiving order is made against the member or any corporate entity in which the member is a director, or the member or any corporate entity in which the member is a director makes any arrangement or composition with his/ its creditors; or
- b. the member is found to be of unsound mind;
- c. a resolution is passed by a majority of the other BoG members that the member be requested to vacate his office and by virtue thereof the member is deemed to have vacated his office; or
- d. the member is convicted of a felony; or
- e. the member resigns his office by written notice to the Institute;
- f. the member refuses or is unfit to act, or is incapable of acting or acts in a manner which is not in accordance with the applicable policies of the Institute, or is detrimental to or adversely affects the reputation, standing or interests of the Institute, and the members in General Meeting resolve that the member be removed from his office.

1.5.5 Size of the Board

The BoG shall have power to appoint additional Board Members from time to time, always provided that the total number of its members shall not exceed the prescribed maximum as per the MICG Constitution.

1.5.6 Term of Appointment

A newly appointed Board Member if appointed by the Board, between Annual General Meetings, shall hold office until the next Annual General Meeting of the Institute, and shall then be eligible for re-election.

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

The tenure of a Board Member should not exceed a cumulative term limit of nine (9) years.

1.6 Office Bearers

The officer bearers of the MICG BoG, who shall be appointed by the BoG, shall be:

- a. One Chairman;
- b. One Deputy Chairman.

All office bearers shall hold office for one year only and shall retire as such at the close of the next Annual General Meeting, and may offer themselves for re-election as an office bearer under Article 63 at a meeting of the BoG to be convened immediately following the closure of such Annual General Meeting.

1.7 Evaluation of Board Performance

Annually, the Chairman will, with the assistance of the Nominating Committee if deemed necessary, facilitate an evaluation of the BoG's performance. This will include discussions both collectively and individually about:

- a. the BoG's role, its processes and performance;
- b. the BoG's group dynamics;
- c. the role and performance of individual/ member of the BoG; and
- d. other relevant issues.

1.8 Board Meetings

- 1.8.1 The BoG will meet regularly, at least four (4) times a year. Governors will use all reasonable endeavors to attend the BoG meetings.
- 1.8.2 The Company Secretary shall prepare and distribute to all Governors in advance a timetable for the meetings for the year. The Company Secretary shall work together with the Chairman in developing the meeting agenda.
- 1.8.3 Except in the cases of an emergency and with the approval of the Chairman, five (5) working days notice of every BoG meeting will be provided in writing. Notices may be sent to the Governors by electronic mail.
- 1.8.4 Other senior officers may be invited to attend meetings for particular items within their responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when needed. All matters to be deliberated upon at any meeting of the BoG shall be decided by a majority of votes, with the Chairman having a casting vote if required to break a deadlock.
- 1.8.5 Governors may participate in a meeting of Governors by means of telephone and/ or video conference or by other means of real time communication. The physical presence of Governor(s) is not compulsory and participation in the meeting in the aforesaid manner shall constitute presence in person at such meeting and shall be counted in determining the quorum for such meeting.

1.9 Agenda

The Chairman, in conjunction with the CEO and the Company Secretary, shall assess the type of information to be provided to the BoG and the content of the agenda. The agenda shall include, amongst others, matters specifically reserved for the BoG's decision. The Board shall have recorded in an appropriate manner its deliberation, in terms of the issues discussed, and the conclusions thereon, in discharging its duties and responsibilities.

1.10 Meeting Papers

1.10.1 To allow sufficient time for Governors to consider the relevant information, the agenda and Board papers are to be circulated at least five (5) working days, or shorter period when approved by the Chairman, prior to the meeting. Where there is a need to table a report, a brief statement of findings and/ or recommendations is also to be prepared and circulated.

1.10.2 Minutes are prepared following a Board meeting. The draft minutes should be sent to the Governors within five (5) working days of the Board meeting for comment and amendment, and will be tabled at the following meeting for confirmation and signing.

1.11 Access to Information

All Governors shall have unrestricted access to Management and to information pertaining to the Institute, including access to the Institute's auditors, other professional advisers and consultants, relevant to the furtherance of their duties and responsibilities as Governors of the Institute.

1.12 Independent Professional Advice

1.12.1 In discharging their duties, each member of the BoG is entitled to obtain independent professional advice at the cost of the Institute.

1.12.2 Where such advice is considered necessary for the discharge of his duties and responsibilities as a Governor and is for the benefit of the Institute, such Governor shall first discuss the circumstances with the Chairman and, having done so, shall be free to proceed, where appropriate.

1.13 Governors' Training

1.13.1 Governors are required to attend relevant training courses/ seminars at periodic intervals to keep themselves updated on developments pertaining to the oversight function of Governors, and to corporate governance best practices generally.

1.13.2 All training events attended by Governors shall be reported to the CEO and Company Secretary and disclosed in the Annual Report. In special circumstances, valid justification for non-attendance by Governors at any training organised by the Institute during the financial year shall also be disclosed.

1.14 Role of Individual Governors

1.14.1 Participation in Board Meetings

Governors have a duty to question, request information, raise issues of common and individual concern, having consulted with fellow BoG members, MICG members and other stakeholders as necessary and acquiring such third party advice as is relevant, and cast their vote according to their own independent judgment. Governors will keep confidential board discussions, deliberations and decisions.

Confidential information received by a Governor in the course of the exercise of his duties is and remains at all times the property of MICG and it is improper to disclose, or allow to be disclosed, such information unless that disclosure has been properly authorised, or is required by law.

1.14.2 Legal Obligations

In accordance with legal and statutory requirements, Governors will:

- a. discharge their duties as Governors in good faith and act honestly, with integrity and probity at all times in the interests of MICG, the members and potential stakeholders of MICG, and with the level of skill and care expected of directors of a non-profit organisation;
- b. act with care and diligence, demonstrating fairness and equity in their decisions;
- c. not compete with MICG in any manner whatsoever;
- d. not make improper use any intellectual property belonging to MICG, or of any information or data belonging to MICG or gained through their position as a Governor;
- e. not take improper advantage of the position of a Governor;
- f. not allow personal interests, or the interest of any associate, to conflict with the interests of MICG; and
- g. not engage in any commercial arrangement with MICG without the consent of the BoG.

Governors must ensure that adequate controls are in place to oversee the exercise of such powers as are delegated to the MICG management.

Governors do not participate in the day-to-day management of MICG but may, with the consent of the Chairman and the BoG, be engaged in special BoG committees established from time to time. Consequently representations or agreements with members, service providers, both professional or otherwise, suppliers or other parties as part of the operations of MICG are made by management.

1.14.3 Conflict of Interest and Governors' External Commitments

Governors are required to continually monitor and disclose any actual or potential conflict of interest that may arise. A Governor must:

- a. disclose to the Board any interest whatsoever, whether direct or indirect in a contract or proposed contract with the Institute, and shall declare the Governor's interest in accordance with the Companies Act 2016. The Governor concerned shall not participate in deliberations concerning such contract and shall abstain

- from casting any vote in respect of any matter arising there from unless otherwise provided for in the Companies Act 2016;
- b. disclose to the BoG any actual or potential conflicts of interest that may exist as soon as the situation arises;
 - c. take necessary and reasonable steps to resolve any conflict of interest within an appropriate period if required by the BoG; and
 - d. comply with the Companies Act 2016 requirements about disclosing interests and restrictions on voting.

The BoG will determine whether or not Governor(s) declaring a conflict should remain in the room when the BoG discusses matters to which the conflict relates.

It is expected that Governor(s) will discuss with the Chairman any proposed board or executive appointments they are considering undertaking and should advise MICG of such appointments to other companies/ organisations as soon as possible after the appointment is effective.

1.15 Related Party Transactions

Related party transactions, including any financial transaction between a Governor or officer of MICG and the Institute must be reported to the Chairman immediately and disclosed at next BoG meeting, and the Governor must obtain the prior approval in writing of the Chairman or the BoG if deemed appropriate by the Chairman.

1.16 Annual Declaration by Governors

The Company Secretary shall facilitate annual independence, conflict of interest and related party transaction declarations by the Governors, and it shall be a mandatory duty of each Governor to provide such an annual self-declaration on independence, conflict of interest and related party transactions.

1.17 Dealing with External Stakeholders (see also Section 2.4)

Generally, communication with the media and public on MICG related issues will be undertaken in the following order: (1) by the MICG Chairman; (2) other Officer Bearers and (3) CEO. Other Governors may provide external commentary on behalf of MICG, including media commentary and interviews, only when specifically authorised by the Chairman and only in engagements organised by the CEO. Any other personal commentary made by Governors to third parties must respect the overriding responsibility to respect the confidentiality of all matters related to the Institute and the deliberations of the BoG.

1.18 Remuneration for Governors

Governors are expected to serve without remuneration. However, the Board Members shall be paid such traveling, hotel or other expenses as may be reasonably incurred by them in the execution of their duties (as per the MICG Constitution).

2. KEY FUNCTIONS OF MICG's BoG

2.1 Operational Role of the BoG

A critical role of the BoG is to manage the business of the Institute through the CEO. The other operational roles include:

- a. Regulating the mode, terms and conditions of admission, suspension and exclusion of members;
- b. Fixing fees, subscriptions, due or any other sums payable;
- c. Regulating the mode and procedure of meetings, voting and election of office bearers;
- d. Regulating the disposal of monies and property of the Institute;
- e. Generally exercising all powers of the Institute that are required to be exercised by the Institute itself or in general meeting, as determined by the Institute's Articles or by law.

2.2 Review of the Charter

The BoG will review this Charter and the Terms of Reference of Board Committees at least every two years to ensure they remain consistent with the BoG's objectives, responsibilities and relevant current standards of corporate governance.

2.3. Board Committees

To assist it in carrying out its responsibilities, the BoG has established or may establish standing committees and special purpose committees comprised of Governors as determined by the BoG and, at the discretion of the BoG, such other persons as are considered to possess relevant specialist expertise and experience.

Each Committee has its own terms of reference in writing, and approved by the BoG, detailing its roles and responsibilities, structure and composition.

Such committees are:

- a. Nominating Committee
- b. Audit Committee
- c. Technical & External Affairs Committee

2.4 Media Protocol (see also Section 1.17)

The MICG Chairman followed by other Office Bearers and the CEO have primary responsibility for acting as spokespersons. The CEO will manage all media communications, including initiating and managing an effective communications plan and responding to media enquiries. Unless preapproved by the Chairman or the CEO, Governors should not comment publicly on MICG or related matters. If approached for comment, Board members should state that they are speaking in a personal capacity, unless given authority to comment on behalf of MICG.

2.5 Code of Conduct

MICG is governed by a BoG. The BoG is accountable for the performance of MICG and its good governance and the development of sound policies to enable MICG to achieve its vision, mission and primary objectives.

The standards of conduct and behaviour of company directors in Malaysia are prescribed by the Companies Act 2016. They are also regulated by the common law and other legislation on topics relevant to companies, including taxation law, competition and consumer law and insolvency law. MICG believes that such standards apply to its BoG and its individual Governors to the fullest extent relevant to the Institute. Accordingly, MICG has developed its own Code of Conduct. It is published as a separate document but is nonetheless regarded as an integral part of this Charter.

The principles of the Code of Conduct are that:

1. Governors must act in good faith and in the best interests of MICG;
2. Governors must act with honesty, integrity and probity at all times and must not act in a manner which is adverse or detrimental to the interests and objectives of the Institute or diminishes the reputation or standing of the Institute;
3. Governors must act fairly and impartially in all matters;
4. Governors must use any and all information belonging to the Institute only for the purposes of the Institute and never for personal or commercial benefit;
5. Governors must exercise due care, diligence and skill in the conduct of their duties;
6. Governors must comply with the law, MICG's Board Charter, the Code of Conduct and the Institute's policies and procedures, including the provisions of the Institute's Whistle-Blowing Policy;
7. Governors should avoid any circumstance which is, or could become in conflict with the interests of the Institute, including any related party transaction, and must disclose such circumstances to the Institute and obtain requisite approval from the BoG.

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