

Terms of Reference for Board of Directors

OSKH-CS-TOR-001-2

28 February 2018

OSK Holdings Berhad (207075-U)

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Revision History Log

Ver. No	Section	Section Name	Page	Details of Amendments	Effective Date	e-Circular No.
1	All	All	All	Document published	Feb 2013	N/A
2	All	All	All	Refer to Summary of Change	28 Feb 2018	OSKH/CS/CIR/003

Glossary

Term	Description
"Board"	The Company's Board of Directors
"CEO" or "GMD"	Chief Executive Officer or General Managing Director, who is the principal executive officer of the Company, by whatever name called and whether or not he is a director.
"Company"	OSK Holdings Berhad
"Director(s)"	A member of the Board which include both executive and non-executive directors as well as executive and non-executive chairpersons.
"Executive Director(s)"	Director(s) with executive powers and who participate in the management of the Company
"KPI"	Key Performance Indicator
"Listing Requirements"	Main Market Listing Requirements of Bursa Malaysia
"MCCG"	Malaysian Code on Corporate Governance (revised April 2017)
"the Act"	Companies Act 2016

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A. TERMS OF REFERENCE

A1. Board of Directors

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- 1. Introduction**
- The Board of Directors (“Board”) is responsible for establishing, amongst others, the corporate values, vision and business strategy for the Company. The Board plays a critical role in ensuring that there are sound and prudent policies and practices being put in place for the Company. The Board also acts as an effective check and balance mechanism in overseeing the overall management of the Company.
- 2. Composition**
- The Board must have the appropriate number of directors that commensurate with the complexity, the size and the scope of the Company’s operations and business activities.
 - The Board composition as a whole, should consist of directors with the right mix of skills, qualities and core competencies such as in the field of finance, accounting, legal, business management, information technology and investment management.
 - Subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”), Companies Act, 2016 (“the Act”) and / or any other relevant regulations, the Board should comprise at least **one-third** independent directors. If the number of directors is not 3 or a multiple of 3, then the number nearest to one-third shall be used. In accordance with the Malaysian Code on Corporate Governance (revised in 2017) (“MCCG”) and to the extent practicable, the Board should comprise a majority independent directors.
 - For the effective functioning of the Board, the Chairman and the Chief Executive Officer (“CEO”) or Group Managing Director (“GMD”) should not be the same person.
- 3. The Chairman**
- Subject to the Listing Requirements, the Act and / or any other relevant regulations, the Board Chairman shall not be the Audit Committee Chairman.
 - The key role of the Chairman is to ensure, amongst others:
 - the smooth functioning of the Board;
 - act as facilitator at Board meetings;
 - inculcate positive culture in the Board;
 - all relevant issues are in the agenda for Board meetings and all directors are able to participate fully in the Board’s discussions;
 - the Board debates on strategic and critical issues; and
 - the Board receives the necessary information on a timely basis from the management.

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4. Other Board Appointment

- Subject to the Listing Requirements, the Act and / or any other relevant regulations, a director may, while holding office, accept other Board appointments so long as the appointment is not in conflict with the business of the Company and it does not affect his / her performance as a director.
- A director should notify the Chairman before accepting any new directorship and indicate the time expected to be spent on the new appointment.
- Subject to Listing Requirements, a director must not hold more than five (5) directorships in listed companies.

End

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A. TERMS OF REFERENCE

A2. Duties and Functions

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1. **Shareholders' Interest**
 - The Board carries the ultimate responsibility for the proper stewardship of the Company. It has the responsibility to act in the best interest of the Company, in ensuring maximisation of shareholders' value and safeguarding the stakeholders' interests.

 2. **Review and Approve Strategies, Business Plans and Policies**
 - The Company should clearly establish its strategic objectives, which promote sustainability and take into account the Company's risk appetite and risk management capabilities, and devise a business strategy and plans for achieving them.
 - The Board should approve these objectives, strategies and business plans, and ensure that performance against plans is regularly reviewed and monitored.
 - The Board should approve all policies in relation (including but not limited) to operations, business management and activities.
 - The Board should regularly evaluate economic, political, social and legal issues and any other relevant external matters that may influence or affect the development of the business or the interests of the stakeholders.

 3. **Establish Key Performance Indicators (KPIs)**
 - The Board should establish KPIs to define, measure and monitor the performance and progress towards achieving organisational goals.
 - The KPIs established should reflect the goals of the Company, be measurable and allowed for corrective actions if things go beyond plan.
 - The KPIs established should complement overall business targets, relate to its core activities and be balanced between short and long-term objectives and strategies.

 4. **Ensure Competent Management**
 - The Board should ensure that there is a managed and effective process to select and appoint key senior management officers that are qualified, professional and competent to administer the affairs of the Company.
 - The Board should approve succession planning policy and effectively monitor senior management's performance on an ongoing basis.

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- 5. Ensure Prudent Operations**
- The Board should ensure that the internal control systems of the Company and its group of companies are operating effectively and that the Company's operations are properly controlled.
 - The Board should make use of the external and internal auditors in reviewing the adequacy of the internal controls systems.
 - The Board should maintain an effective compliance function that routinely monitors compliance with policies approved by the Board and the relevant laws and regulations.
- 6. Ensure Establishment of Risk Management Framework and Policies**
- The Board should ensure that the Company establishes effective and comprehensive risk management framework, policies and processes to identify, measure, monitor and control the various types of risks faced by the Company and its group of companies.
 - The Board should periodically review the risk management capabilities of the Company and its group of companies to ensure that they are able to support the Company's business expansion.
 - The Board should also ensure that there are reliable and adequate management information systems that cover the full range of the Company's activities.
- 7. Establish An Internal Audit Function**
- The Board should establish an effective internal audit function and identify a head of internal audit who reports directly to the Audit Committee. The internal audit function should be staffed with qualified internal audit personnel to carry out internal audit functions, covering the financial, management and risk audits, according to standards set by recognized professional bodies.
 - The Board should ensure that the internal auditors have full access to all records, and are given an appropriate standing in the company's hierarchy.
- 8. Establish Procedures Governing Self-Serving Practices and Conflicts of Interest**
- The Board should establish policies and procedures governing related party transactions and situations of conflict of interest.
 - The Board should ensure that the senior management implements these policies to identify, prevent or appropriately manage and disclose potential situations of conflicts of interest that may arise.
 - The Board should ensure that the senior management implements policies that prohibit activities and relationships that diminish the quality of corporate governance.
 - The Board should also ensure that related party transactions are made on an arm's length basis.

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- 9. Establish Board Committees**
- The Board should establish and delegate certain duties to specialised board committees to oversee critical or major functional areas and to address matters which require detailed review or in-depth consideration.
- 10. Beneficial Influence on Community**
- The Board has a continuing responsibility to the community to ensure that the Company's activities are conducive towards promoting the economic well-being of its community and are in line with government's economic objectives.
- 11. Approve Transactions**
- The Board should have the authority to approve transactions or activities which are beyond the individual discretionary powers of senior officers or management committees delegated by the Board as per the Approving Authority limits stipulated in the relevant policy manuals of respective operating units.
- 12. Communication with Stakeholders**
- The Board should ensure the Company has in place procedures to enable effective communication with stakeholders, e.g. by adopting Corporate Disclosure Policy and procedure.
- 13. Integrity of the Reporting**
- The Board should ensure the integrity of the Company's financial and non-financial reporting.

End

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A. TERMS OF REFERENCE
A3. Board Procedures

1. General

- The conduct of directors shall be consistent with their duties and responsibilities to the Company and, indirectly, to its Shareholders. Directors should always act within any limitations imposed by the Board and provisions of relevant laws and guidelines on its activities.
- Directors shall at their best endeavours, attend all Board meetings. Directors are expected to participate fully, and constructively in Board discussions and other activities and to contribute their knowledge, skills and expertise to the Board.
- Directors who are not able to attend a meeting shall inform the Chairman at the earliest date possible and to inform the Secretary in writing.
- Board discussions will be open and constructive, recognising that genuinely held differences of opinion could bring greater clarity and lead to better decisions. The Chairman shall seek for general consensus in Board decisions and may, where considered necessary, call for a vote.
- All Board discussions shall be properly recorded and they shall remain confidential unless there is a specific direction from the Board to the contrary, or disclosure is required by law. Subject to legal and regulatory requirements, the Board will decide on the manner and timing in announcing / making public its decisions.
- Directors are required to inform the Board of their conflicts or potential conflict of interest that they may have in relation to a particular item of business or transaction. Subject to the provisions of the relevant laws and guidelines, the director concerned shall abstain from deliberation and determination on those matters.

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A. TERMS OF REFERENCE
A4. Approving Authority

1. Approving Authority Limit

- The Board has the authority to approve any transactions or activities, and may delegate this authority to any person or committee that is deemed fit.
- The Approving Authority limits of the Board, which may vary from time to time, are stipulated in the relevant policy manuals of respective operating units.

2. Authority

- The Board shall within its terms of reference:
 - have complete, adequate and timely information prior to board meetings and on an ongoing basis;
 - have the resources required to perform its duties;
 - have full and unrestricted access to any information pertaining to the Company;
 - have the authority to form management / sub-committee(s) if deemed necessary and fit;
 - have the authority to delegate any of its responsibilities to any person or committee(s) that is deemed fit;
 - have direct communication channels with employees, senior management personnel and relevant external parties; and
 - be entitled to independent professional advice.

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A. TERMS OF REFERENCE

A5. Meetings & Minutes

1. General

- The Board shall meet no less than four (4) times a year, or whenever deemed necessary.
- The quorum for meetings shall be at least two (2) directors, with independent director(s) present.
- Subject to the Listing Requirements, the Act and / or any other relevant regulations, directors are required to attend at least 50% of the total board meetings held in each financial year.
- Subject to provisions of relevant laws and guidelines, the Board is also allowed to carry out the resolution by way of circulation.
- The Board may meet together for dispatch of business, adjourn, and otherwise regulate their meetings as they think fit by means of any communication technology by which all persons participating in the meeting are able to hear and be heard by all other participants without the need for a member to be in the physical presence in the meeting. The director participating in any such meeting shall be counted in the quorum for such meeting. All resolutions agreed by the Board in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Board duly convened and held.
- The Head(s) of the respective divisions / department and relevant management personnel may be invited to attend the Board meetings.
- The Company Secretary shall be appointed as Secretary and minutes of meetings shall be taken and circulated to the directors.

End

