

**SMIS CORPORATION BERHAD**  
**(Company No. 491857-V)**  
**Board Charter**

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**1. Introduction**

In achieving the objectives of transparency, accountability and effective performance for SMIS Corporation Berhad (“SMIS” or “the Company”) and its subsidiaries (“the Group”), the enhancement of corporate governance standards is vital and it is with the aim of enshrining the concepts of good governance as promulgated in the new Malaysian Code on Corporate Governance 2012 (“the Code”) that this Board Charter (“Charter”) is established.

The Charter serves as a reference point for Board activities and should not be construed as a blueprint for Board operations. Just as each organisation has its own corporate culture, the dynamics of each Board is unique. The dynamics shift as the composition of the Board changes, and the Directors of the Company should always be open to new opportunities and ready to confront new challenges brought about by change.

This Board Charter is established to promote high standards of corporate governance and is designed to provide guidance and clarity for Directors and management with regard to the role of the Board and its committees. This Board Charter does not overrule or pre-empt the statutory requirements and other relevant statutes. This Board Charter shall form an integral part of each Director’s duties and responsibilities.

**2. Interpretation**

**2.1. In this Charter:**

“Board” means the board of directors of the Company.

“Bursa Securities” means Bursa Malaysia Securities Berhad.

“Business” means the business of the Group.

“Chairman” means the chairman of the Board and is used in a gender neutral sense.

“Company Secretary” means the Board secretary (ies) or the person(s) normally exercising the functions of a Board secretary.

“Independent Director” is defined in accordance to Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

“Listing Requirements” means the Main Market Listing Requirements of Bursa Securities.

“Management” means the management personnel of the Company.

“CEO” means the Chief Executive Officer of the Company.

“Shareholders” means the shareholders of the Company.

### **3. Objectives of the Board**

The Board is accountable to Shareholders and is responsible for the stewardship of the Group’s Business and affairs. Significantly, the Board shall seek to ensure that the Business objectives of the Group is aligned with the expectations of Shareholders with a view to enhancing long-term Shareholders’ value whilst taking into account the interests of other stakeholders.

Additionally, the Board has to warrant that the operations of the Group are being effectively managed in a manner that is properly focussed on those Business objectives, conforming to regulatory and ethical requirements as well as maintaining high standards of transparency, accountability and governance.

### **4. Role of the Board**

4.1. Shareholders elect the Board to oversee management and to ensure that Shareholder long-term interests are served. Through oversight, review and counsel, the Board establishes and promotes SMIS’s business and organizational objectives, provides leadership to SMIS, oversees business affairs and integrity, works with management to determine the Company’s mission and long-term strategy.

4.2. The Board has delegated certain responsibilities to committees which operate in accordance with Charter approved by the Board and delegated the day to day management of the Business of the Group to Management and CEO.

The Board is responsible for overseeing risk management of the Company. The Board exercises direct oversight of strategic risks to the Company and other risk areas are delegated to one of its committees.

The Audit and Risk Committee oversees operational risks including business continuity, security, privacy and competition law related risks.

In each case Management periodically reports to the Board or relevant committee, which provides guidance on risk appetite, assessment and mitigation and a company changed with risk oversight reports to the Board on those matters.

The Board shall reserve a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. This includes strategic issues and planning, material acquisition and disposal of assets, capital expenditure, risk management policies, appointment of auditors and review of the financial statements, financing and borrowing activities, ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls.

4.3. The principal duties and responsibilities of the Board including those adopted from the Code are:

- reviewing and adopting a strategic plan including setting performance objectives and approving operating budgets for the Group and ensuring that the strategies promote sustainability;
  - monitoring the Company's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and within a framework of prudent and effective controls which enables risk to be assessed and managed;
  - reviewing the procedures to identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
  - set, review and ensure compliance with the Company's principles, values and ethos of the Company;
  - establishing proper succession planning, including appointing, assessing, training, fixing the compensation of and where appropriate, replacing Board and senior management;
  - developing and implementing a Corporate Disclosure Policy (including an investor relations programme or shareholder communications policy) for the Group;
  - reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
  - ensuring that the Company adheres to high standards of ethics and corporate behaviour.
- 4.4.** In overseeing the conduct of the Group's Business, the Board shall ensure that an appropriate financial planning, operating and reporting framework as well as an embedded risk management framework is established. Elements under this combined framework include the Business Plan, the budget, financial statements and risk management reports.

## **5. Board Structure**

### **5.1. Board Balance and Composition**

- 5.1.1. The Board should be of a size and composition with the benefit of diversity in perspectives and skills that is conducive to effective decision making and effective discharge of its roles and responsibilities for the benefit of the Group and its Business.

In accordance with Paragraph 15.02 of the Bursa Malaysia Listing Requirements, the number of Independent Directors should make up of at least two or one-third, whichever is higher, of the Board.

- 5.1.2. The appointment of a new member to the Board is only made after consultation with the Nomination Committee and it is of essence of the Board to ensure high levels of professional skills and appropriate personal qualities are pre-requisites for such nominee.

- 5.1.3. The Board also recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to ensure a balance of power and authority. It is the policy of the Board to keep the roles of the Chairman and the CEO separate.
- 5.1.4. The Board recognises the significant representation by Directors who are capable and willing to make Business decisions and judgement in the best interest of the Group and free from influences which would give rise to conflict of interest with that duty and are also independent of Management. The Board decision making process should be independent and objective.
- 5.1.5. The Board recognises the need for an appropriate balance between executive Directors who possess extensive direct experience and expertise in the core Business activities of the Group, and non-executive Directors who have outstanding track records and reputation, and who are able to bring to the Board a broad range of general commercial expertise and experience.
- 5.1.6. A Director should inform the Board's Chairman before he/she accepts any new directorships in other companies, if any conflict of interest.

## **5.2. Role of the Chairman**

- 5.2.1. The Chairman carries out a leadership role in the conduct of the Board and its relations with the shareholders and other stakeholders. The Chairman is primarily responsible for:
  - leading the Board in the oversight of management;
  - representing the Board to shareholders and to chair and to ensure the efficient organisation and conduct of the Board and/or meeting of the shareholders;
  - ensuring the integrity of the governance process and issues;
  - maintaining regular dialogue with the CEO over all operational matters and consulting with the remainder of the Board promptly over any matters that gives him/her cause for major concern;
  - ensuring that executive Directors look beyond their executive function and accept their share of responsibilities in governance;
  - guiding and mediating Board actions with respect to organisational priorities and governance concerns; and
  - performing other responsibilities assigned by the Board from time to time.

## **5.3. Role of the CEO**

- 5.3.1. The position of the CEO in essence is to ensure the effective implementation of the Group's Business Plan and policies established by the Board as well as to manage the daily conduct of the business and affairs to ensure its smooth operation.

5.3.2. The CEO is accountable to the Board for the achievement of the Group's mission, goals and objectives.

5.3.3. CEO is responsible to the Board for the following:

- executive management of the Group's Business covering, inter alia, the development of a strategic plan; an annual operating plan and budget; performance benchmarks to gauge management performance and the analysis of management reports;
- developing long-term strategic and short-term profit plans, designed to ensure that the Group's requirements for growth, profitability and return on capital are achieved;
- directing and controlling all aspects of the business operations in a cost effective manner;
- effectively oversee the human resources of the Group with respect to key positions in the Group's hierarchy and recruitment of senior management staff, determination of remuneration as well as terms and conditions of employment for senior management and issues pertaining to discipline;
- ensures that the Group's Financial Reports present a true and fair view of the Group's financial condition and operational results and are in accordance with the relevant accounting standards;
- assures the Group's corporate identity, products and services are of high standards and are reflective of the market environment;
- ensures compliance with governmental procedures and regulations;
- coordinates business plans with the businesses heads, coordinates management issues through the Board, and oversees divisional function groups and cost containment process in consultation with the Financial Controller;
- assists the Chairman in organising information necessary for the Board to deal with the agenda and for providing this information to Directors on a timely basis.

#### **5.4. Tenure of Directors**

5.4.1. In line with the MCCG 2012, the tenure of an independent Director should not exceed a cumulative term of nine years unless it is recommended by the NC and the Board is satisfied that he or she is able to continue bring independent judgement to the Board deliberations.

#### **5.5. Company Secretary**

5.5.1. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board recognises the fact that the Company Secretary should be suitably qualified, competent and capable of carrying out the duties required of the post.

- 5.5.2. The key role of the Company Secretary is to provide unhindered advice and services for the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.
- 5.5.3. Other primary responsibilities of the Company Secretary shall include:
- preparing agendas and coordinating the preparation of the Board papers;
  - ensure that Board procedures and applicable rules are observed;
  - maintaining records of the Board and ensure effective management of organisation's records;
  - preparing comprehensive minutes to document Board proceedings and ensure conclusions are accurately recorded;
  - assisting the communications between the Board and Management; and
  - providing full access and services to the Board and carrying out other functions deemed appropriate by the Board from time to time.

## **5.6. Board Committees**

- 5.6.1. The Board reserves the right to establish Committees from time to time in the discharge of its duties and responsibilities. The existence of the Board Committees does not diminish the Board's responsibilities for the affairs of the Group where the delegation of power shall be subjected to the approved terms of references and are in accordance with this Charter.
- 5.6.2. The Board shall establish the policy of Board Committees to assist the Board on carrying out its duties:

a) **Audit and Risk Committee**

Audit and Risk Committee assists in fulfilling the Board's stewardship accountability to its Shareholders and financial stakeholders. An Audit and Risk Committee shall provide assurance to the Board with quality and reliable financial information and are responsible for the accuracy and integrity of the Group's financial reporting.

b) **Nomination Committee**

The Nomination Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director as well as identify candidates to fill board vacancies, and nominating them for approval by the Board.

c) **Remuneration Committee**

The Remuneration Committee is primarily responsible for recommending to the Board the remuneration of Executive Directors and Non-Executive Directors in all its forms, drawing from outside advice if necessary.

**5.7. Investor Relations and Shareholders' Communication**

- 5.7.1. The Board shall maintain an effective communications policy that enables both the Board and Management to communicate effectively with its shareholders, stakeholders and the general public.
- 5.7.2. It is the role of the Board to ensure that the Annual General Meeting (“AGM”) and Extraordinary General Meeting (“EGM”) of the Company are conducted in an efficient manner and serves as a crucial mechanism in shareholder communications. Key ingredients behind this include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the AGM.
- 5.7.3. The CEO shall take responsibility for addressing queries from Shareholders, stakeholders and analysts. In the performance of this responsibility, the CEO shall be mindful of the regulatory requirements pertaining to price sensitive information.

**6. Board Processes**

Board Meetings shall be conducted in a business-like manner where all Directors are encouraged to share their views and partake in discussions. No one person should dominate the discussion. The Chairman, assisted by the Company Secretary, shall play a mediator’s role to maintain the order of the proceedings in a constructive, productive and effective manner.

**6.1. Frequency**

- 6.1.1. The Board should meet regularly, at least on a quarterly basis. Special Board meetings should be held in addition to the quarterly meetings as and when required. Prior notice of meetings will be given to all who are required to attend the meetings.
- 6.1.2. Board members are required to attend the Board meetings and attendance of each individual Director in the meetings held in a financial year is required to be disclosed in the Annual Report. Other senior officers may be invited to attend for particular items within their responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when the need arises.
- 6.1.3. Additional formal business is dealt with as required, whether by physical, videoconferencing or telephonic meetings, as well other electronic meetings allowed under the laws or the Company’s Constitution. All resolutions, attendance, transactions, quorums and

votes obtained through electronic means shall be deemed valid and effective unless it contravenes the requirements of relevant statutes and regulations.

- 6.1.4. All meetings of the Board will be conducted in accordance with the Constitution of the Company and applicable laws.

## **6.2. Agenda & Meeting Papers**

- 6.2.1. The notice of a Directors' meeting should be given in writing at least seven (7) days prior to the meeting.
- 6.2.2. A well prepared board agenda will enhance the Board's productivity and strengthen its strategic and supervisory role. The Chairman, in conjunction with the executive Director and the Company Secretary, shall undertake the primary responsibility for preparing the Board's agenda. The agenda shall include, amongst others, matters specifically reserved for the Board's decision.
- 6.2.3. As a matter of best practice and to allow ample time for Directors to consider the relevant information, Board papers and agenda items are to be circulated at least seven (7) days prior to the meeting. It is recommended that where there is a need to table a report, a brief listing of findings and/or recommendations is prepared.

## **6.3. Minutes**

- 6.3.1. The Board shall record its deliberation, in terms of the issues discussed, and the conclusions thereof in discharging its duties and responsibilities.

## **6.4. Access to Information and Independent Professional Advice**

- 6.4.1. All Directors (executive and non-executive) have the same right of access to all information within the Group whether as a full board or in their individual capacity, in furtherance of their duties and responsibilities as Directors of the Company, subject to a formal written request to the Chairman furnishing satisfactory and explicit justification for such request
- 6.4.2. All Directors should have access to the advice and services of the Company Secretary. The Board should recognise that the Chairman is entitled to the strong and positive support of the Company Secretary in ensuring the effective functioning of the Board.
- 6.4.3. The full Board or in their individual capacity, in furtherance of their duties, shall be able to obtain an independent professional advice at the Company's expenses through an agreed procedure laid down formally.
- 6.4.4. Subject to prior approval of the Chairman, the cost of the advice will be reimbursed by the Company but the Director will ensure, so far as is practicable, that the cost is reasonable.



## **6.5. Induction Process**

6.5.1. The objective of the induction process is to provide Directors with a rapid and clear insight into the Group as well as keeping them abreast with development in the market place pertaining to the oversight function of Directors. This will enable the Directors to discharge their duties and responsibilities effectively.

## **6.6. Directors' External Commitments and Conflict of Interest**

6.6.1. The Company's Articles of Association stipulate that a Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare his interest in accordance with the provisions of the Companies Act, 1965. The Director concerned shall not participate in deliberations and shall abstain himself from casting his votes in any matter arising thereof.

6.6.2. Should there be an actual, potential or perceived conflict of interest between the Company or a related corporation and a Director, or an associate of a Director such as a spouse or other family members, or a related company, the Director involved shall make full disclosure and act honestly in the best interest of the Company.

6.6.3. An actual, potential or perceived conflict of interest shall not necessarily disqualify an individual Director from the Board provided that full disclosure of the interest has been made in good faith and with due honesty.

## **7. Board Diversity Policy**

The Board is diligent in maintaining the appropriate balance of skill, knowledge, professional background and experience in its succession planning. Looking forward at upcoming requirements and identifying potential gaps; appointing the best individuals is critical in ensuring a high level of compliance and governance. The correct Board mix is also crucial for the success of the group.

This policy expresses the Board's commitment to ensure transparency and diversity in making appointments to the Board (and Board Committees) based on principles of non-discrimination; regardless of race, ethnicity, gender, age, disability religion or belief. The Board also upholds the promotion of fair participation and equal opportunity in embracing a spirit of inclusion for all individuals of the right caliber.

The Board endeavours to identify training and development programs for its members to better face the dynamic and ever-changing business landscape.

The Board assesses its compliance with the policy through the annual Board effectiveness review.

## **8. Employment Policy**

SMIS takes an inclusive approach to diversity in its employment and promotion of individuals.

As a corporate body headquartered in a multi-ethnic country and with business dealings across the region, the Group values equality and non-discrimination. Equal opportunities and fair consideration in employment, career development and promotion is given to all individuals regardless of race, ethnicity, gender, age, disability, religion or belief.

Employees are given opportunities to work across functions, across geographies and interact with co-workers within the Group. SMIS encourages its employees to adopt the same inclusive, diverse and non-discriminatory culture as it does.

## **9. Review**

This Board Charter is to be regularly reviewed by the Board as and when required.

This Board Charter is dated 24 February 2015.