

**SOUTH MALAYSIA INDUSTRIES BERHAD**  
**(Co. No. 8482-D)**

**BOARD CHARTER**

**1. INTRODUCTION**

The Board Charter is a charter of the Board of Director (Board) of South Malaysia Industries Berhad (“SMI” or “the Company”).

The Board is accountable to SMI members for the corporate governance and performance of the SMI Group and is also committed to achieving the highest standards of business integrity, ethics and professionalism across the SMI Group’s activities.

The Board shall apply the principles and practices of good corporate governance in all its dealings and to uphold the core value of integrity with the objectives of protecting the Group’s assets and enhancing shareholders’ value.

**2. PURPOSE**

In ensuring the objectives are met, the Board Charter sets out clearly the principal role of the Board, the demarcation of the roles, functions, responsibilities and power of the Board, various Board Committees of the Company.

The Charter further defines the specific responsibilities of the Board, in order to enhance coordination and communication between the Senior Management and Board more specifically, to clarify the accountability of both the Board and the Management for the benefit of the Company and its shareholders.

The Board Charter complies with the statutory requirements and other relevant statutes such as the provisions of the Companies Act 2016, the Company’s Constitution, the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Listing Requirements”) and the recommended principles of the Malaysian Code on Corporate Governance 2017 (“MCCG 2017”).

**3. BOARD COMPOSITION AND BALANCE**

**3.1 Size and Composition**

The Board consists of qualified individuals with diverse experience, background and perspective to enable them to discharge their duties and responsibilities effectively. The composition and size of the Board is such that it facilitates the decision making of the Company. Pursuant to Articles of Association of the Company, the Board shall not be less than two (2) directors and more than ten (10) directors.

As prescribed by the Bursa Listing Requirements, at any time, at least two (2) directors or one-third (1/3), whichever is higher, of the Board members must be Independent Directors. The Board through the Nomination Committee shall conduct an annual assessment of the independence of the Independent Directors.

The basis for the presence of an independent voice on the Board is to ensure that objectivity in decision-making of the Board is achieved and that no single party can dominate such decision-making in the Company.

The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objectives and impartial consideration by the Board.

The tenure of an Independent Directors shall not exceed a cumulative term of nine (9) years, the Independent Directors may continue to serve the Board subject to the Director being re-designated as a Non- Independent Director. In the event the Director is to remain as Independent Director, the Board shall first justify and obtain shareholders' approval. If the Board continues to retain the Independent Director after the twelfth year, the Board should provide justification and seek annual shareholders' approval through a two-tier voting process as set out in MCCG 2017.

The Board shall appoint a Senior Independent Director who will also attend to any query or concern raised by shareholders where it is inappropriate to be dealt with by the Chairman or Management.

### **3.2 Appointment and Re-election**

The Nomination Committee shall identify candidates with appropriate skills, experience, knowledge and expertise in order to discharge its mandate effectively and to maintain the necessary mix of expertise to the Board for approval.

All newly appointed Directors shall be subject to retirement at the next Annual General Meeting and is eligible for re-election.

All other Directors are subject to retirement by rotation at least once in every three (3) years and is eligible for re-election.

The directorships held by any Board member at any time shall not exceed five (5) in listed companies.

### **3.3 Boardroom Diversity Policy**

The Board members of the Company reflects their recognition of the value of a balanced gender composition of the Board.

On boardroom diversity, the Board will review the appropriate skills, experience, knowledge and gender required of the Board members, in the context of the needs of the Group. The Board will review its composition and size from time to time to ensure its appropriateness.

The Board has delegated the power to the Nomination Committee through its “Terms of Reference” to recommend to the Board the appropriate Board balance including gender diversity.

The Nomination Committee abides by Paragraph 2.20A of the Bursa Listing Requirements when it assesses the candidates of Directors to ensure that each candidate has the character, experience, integrity, competence and time to effectively discharge his/her role as a Director.

### **3.4 Independence of Director**

An Independent Director is independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.

The Board undertakes to assess the independence of its Independent Directors upon appointment, annually and when new interest or relationship develops.

### **3.5 New Directorship and Time Commitment**

Any Director shall notify the Chairman of the Board before accepting any new directorship. The notification shall include an indication of time that will be spent on the new appointment.

The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company.

## **4. BOARD PERFORMANCE**

### **4.1 Directors’ Assessment/Board Evaluation**

The Board recognizes the importance of assessing the effectiveness of individual directors, the Board as a whole and its Committees. The Board reviews and evaluate its own performance on an annual basis.

### **4.2 Roles of the Board**

The Board oversees the business and affairs of the Company and will assume, amongst others, the following duties and responsibilities:

- Reviewing and adopting the strategic plan for the Company - the Board should adopt a strategic plan which aims to promote sustainability within the aspect of the environment, socials and governance.
- Ensuring shareholders are kept informed of the Company's performance and major development affecting its state of affairs;
- Be responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for Management and monitoring the achievement of these goals;
- Monitoring and reviewing Management processes aimed at ensuring the integrity of financial and other reporting with the guidance of the Audit Committee;
- Ensuring that succession planning of the senior management is in place; and
- Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures.

#### **4.3 Policy and Strategies**

The following matters shall be reserved to the Board for approval:

- Corporate plans and programmes;
- Annual budgets, including major capital commitments;
- New ventures;
- Material acquisitions and disposal of undertaking and properties;
- Change to the management and control structure within the Company and its subsidiaries, including key policies; and
- Major investment and capital raising.

#### **4.4 Roles of Chairman and Executive Directors**

The roles of the Chairman and the Executive Directors are distinct and separated to ensure a balance of power and authority.

The Chairman is responsible for the overall leadership and efficient functioning of the Board. The key role of the Chairman, amongst others, are as follows:

- Ensure that the Board function effectively, cohesively and independently of Management;
- Providing governance in matters requiring corporate justice and integrity;
- Leading the Board, including presiding over Board meetings and directing Board discussions to effectively use the time available to address the critical issues facing the Company;
- Promoting constructive and respectful relationship between board members and management; and
- Ensure that there are effective communication between the Company and/or Group and its shareholders and relevant stakeholders.

The Executive Director is responsible to the Board for the day-to-day management of the Company. The Board gives direction and exercises judgement in setting the Company's

objective and overseeing their implementation. The key roles of the Executive Director, amongst others, are as follows:

- Developing the strategic direction of the Group;
- Ensure that the Company and/or the Group's business is properly and efficiently managed by ensuring that the executive team implements the policies and strategies adopted by the Board and its Committees;
- Ensure that the objectives and standards of performance are understood by the Management and employees;
- Monitoring performance results against plans; and
- Taking remedial action, where necessary

#### **4.5 Board Committees**

The Board may from time to time establish committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions to the following committees to assist in the execution of its responsibilities:

##### **4.5.1 Audit Committee ("AC")**

The AC shall consist of no fewer than 3 members, all of whom must be non-executive directors, with a majority of them being independent directors. No alternate director is to be appointed to the AC. The AC shall meet at least four (4) times a year and its quorum shall not be less than two (2) which consist of a majority of members who are independent directors. Additional meetings may be held upon request by any AC member, the Management, the internal or external auditors. The full text of the Terms of Reference ("TOF") of AC is set out in Appendix I.

The AC shall assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the risk management, the governance processes, related party transactions, the audit process and the company's process for monitoring compliance with laws and regulations.

The Committee shall convene meeting with external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

##### **4.5.2 Nomination Committee ("NC")**

The NC shall have at least three (3) members and be composed entirely of non-executive directors a majority of whom must be independent. The quorum of the meeting shall be two (2) members. The Committee shall meet at least once a year. The full text of the TOF of NC is set out in Appendix II.

The NC shall be responsible, within the limit of the policy determined and powers delegated by the Board, for inter-alia:-

- i) Recommending suitable candidates for appointments to the Board, including the Committees of the Board;
- ii) Reviewing the structure, size and composition (including the skills, knowledge, experience and gender diversity) of the Board and making recommendation to the Board with regards to any changes;
- iii) Overseeing the annual performance assessment of the Board, its Committees and individual Directors;
- iv) Developing criteria to assess independence of the Directors;
- v) Assessing Directors who are due for re-election/re-appointment at the Annual General Meeting for appropriate recommendations to be made to the Board; and
- vi) Reviewing the Board's succession plans.

#### **4.5.3 Remuneration Committee ("RC")**

The RC shall have at least three (3) members and be composed entirely of non-executive directors a majority of whom must be independent. The quorum of the meeting shall be two (2) members. The Committee shall meet at least once a year. The full text of TOF of RC is set out in Appendix III.

The RC shall be responsible, within the limits of the authority determined and powers delegated by the Board, inter-alia:-

- i) Establishing, reviewing and recommending to the Board the framework on terms of employment of the remuneration of the Executive Directors;
- ii) Reviewing and recommending to the Board the annual salary increment and bonus of the Executive Board; and
- iii) Reviewing and recommending to the Board the remuneration of the non-executive Chairman.

#### **4.5.4 Risk Management Committee ("RMC")**

It comprises senior management from all functions and to be led by the Group Executive Director. The full text of TOF of RMC is set out in Appendix IV.

The RMC will periodically review and assess the strategies and policies relating to the management of the Company's risk and ensure that the risk policies and procedures of the operating units are aligned to the business strategies and the risk return directions of the Board.

The Chairman of the respective committee reports to the Board on the outcome of the committee meetings and the minutes will be included in the Board Papers for Board's notification.

#### **4.6 Board Meetings**

The Board shall schedule at least four (4) quarterly meetings annually. However, Special Meetings may be convened as required.

Notice of Board Meetings and the business to be transacted shall be given to members of the Board electronically seven (7) days in advance. The proceedings of the Board will be governed by the Company's Constitution. The Chairman, at his discretion, may invite the senior management or other senior executives of professional advisers to attend and to be heard at the Board Meetings.

Directors must attend all scheduled meetings of the Board, including meetings called on an ad-hoc basis for special matters unless prior apology, with reasons, has been notified to the Chairman or Company Secretary. If the Chairman of the Board is absent from a meeting, the directors present must elect one of the directors present to act as Chairman.

A notice with detailed agenda, together with the relevant documents including the minutes, board papers must be circulated, at least five (5) business days before the meeting is held, to the members of the Board and other invitees. This is to provide sufficient time for the Board to prepare for Board meetings to be able to give appropriate and constructive feedback on matters for discussion and decisions.

#### **4.7 Directors' Remuneration**

The Company shall provide a fair and reasonable, competitive, remuneration for its executive directors to ensure that the Company attracts and retains high caliber executive directors who have the skills, experience and knowledge to increase entity value to the benefit of all shareholders.

The remuneration policy for executive directors is based on the achievements and contributions of each member measured against their respective key performance indicators. The Board shall determine the remuneration of executive directors taking into consideration the recommendation of the Remuneration Committee.

The non-executive Directors will receive a fixed base fee, not by a commission or on percentage of profits/turnover, as consideration for the Board duties. The aggregate amount of director's fees to be paid to non-executive directors is subject to the approval of the shareholders at the General Meeting.

Remuneration for non-executive directors is not linked to individual performance.

#### **4.8 Directors' Training and Continuing Education Programme**

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 programme. This will enable Directors to effectively discharge duties and sustain active participation in the Board deliberation.

The Board will assess the training needs of the Directors from time to time and will ensure Directors have access to continuing education programme.

#### **4.9 Internal Controls and Risk Management**

The Board oversees, reviews and monitors the operation, adequacy and effectiveness of Group's system of internal controls.

The Board had established a Risk Management Framework on 27 May 2013, a comprehensive of the Risk Management Framework was undertaken to ensure its continued relevance and applicability in the face of changes in the Group's business environment.

#### **4.10 Financial Reporting**

The Company aims to present a clear and balance assessment of the Company's financial position and prospects for its financial statements and quarterly announcements to the shareholders, including other price sensitive public reports submitted to regulators.

The Board will ensure that the financial statements are prepared in accordance with Companies Act and applicable approved accounting standards set out by the Malaysian Accounting Standards Board so as to present a true and fair view of the state of affairs of the Group.

### **5. GENERAL MEETINGS**

#### **5.1 Annual General Meeting (AGM)**

The Company regards the AGM as an important event in the corporate calendar of which all Directors and key senior executives shall attend.

The Company also regards the AGM as the principal forum for dialogue with shareholders and aims to ensure that the AGM provides an important opportunity for effective communication with the constructive feedback from the Company's shareholders.

The Chairman and, where appropriate, the Executive Directors respond to shareholders' queries during the meeting. The senior executives may assist in the queries as and when the need arises.

#### **5.2 Extraordinary General Meeting (EGM)**

The Directors shall consider requisitions by the shareholders to convene an EGM or any other urgent matters requiring immediate attention of the Company in accordance with the requirements of the Companies Act 2016 and the Company's Constitution.

### **6. COMPANY SECRETARY**

The Board appoints the Company Secretary who plays an important advisory role and ensure the Company Secretary fulfils its function for which he/she has been appointed.

The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group.

The duties of the Company Secretary amongst others, attending all Board and Board Committee Meetings, ensuring that the proceedings of Board and Board Committee Meetings and decision made thereof, are accurately and sufficiently recorded and properly kept for the purposes of meeting statutory obligations as well as obligations arising from Bursa Listing Requirements or other regulatory requirements, communicating the decisions of the Board for Management's attention and further action, ensuring all appointments and resignation of directors are in accordance with the relevant legislations and the Board Performance Assessment are properly executed.

The Company Secretary shall report directly to the Board. The appointment and removal of the Company Secretary will be subjected to the approval of the Board.

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

The Board has unrestricted 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.

Directors will be entitled to:-

- access members of the senior management via the Executive Director at any time to request relevant and additional information or seek explanations;
- have access to internal and external auditors, without management present to seek explanations or additional information.

The Board had established a procedure whereby the Directors, collectively or individually, may seek independent professional advice on issues where they are of the opinions that professional advice is needed after having discussion with senior management, internal and external auditors.

#### **8. CONFIDENTIALITY AND DISCLOSURE OF INTEREST**

The Directors are required to act in the best interests of the Company. The Directors also have a duty of confidentiality in relation to the Company's confidential information.

A Director should disclose to the Board:

- Any material personal interest they have in a matter which relates to the affairs of the Company; and
- Any other interest (direct or indirect) which the Director believes is appropriate to disclose in order to avoid any conflict or the perception of a conflict of interest.

The disclosure should be made as soon as practicable after the Director becomes aware of their interest. Details of the disclosure must be recorded in the minutes of the meetings at which the disclosure is made or the meeting held following the disclosure.

## **9. INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION**

The Company is committed to ensure that shareholders are well-informed of all major developments affecting the state of affairs of the Company. To achieve this, the Company has implemented amongst others, the following:

- Timely release of announcements and disclosures to Bursa Malaysia Securities Berhad, which include quarterly financial results, material contract and other material information that may affect the investors' decision making;
- Press conference which is normally held after the Annual General Meeting/Extraordinary General Meeting to provide the media an opportunity to receive an update from the Board on the proceedings at the meetings and to address any queries from the media;
- Encourage full participation of shareholders at all Annual General Meeting to ensure high level of accountability and discussion of the Company strategy and goals. The Company will also invite the external auditors to attend the Annual General Meeting and be available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report; and
- Shareholders can gain access to information about the Company including the summary of the Group's Investor relation activities and media releases through the Company's website, [www.smib.com.my](http://www.smib.com.my).

## **10. CODE OF ETHICS AND CONDUCT**

The Directors are expected to conduct themselves with the highest ethical standards. All Directors and members of the Management are expected to behave ethically and professionally at all times and thereby protect and promote the reputation and performance of the Company.

The Board is required to observe the Directors' Code of Ethics as follows:-

- (a) A director must act honestly, in good faith and in the best interest of the Company as a whole.
- (b) A director has to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- (c) A director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.

- (d) A director must recognize that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the Company.
- (e) A director must not make improper use of information acquired as a director.
- (f) A director must not take improper advantage of the position of director.
- (g) A director must not allow personal interests, or the interest of any associated person, to conflict with the interests of the Company.
- (h) A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board of Directors.
- (i) Confidential information received by a director in the course of the exercise of their duties as a director of the Company remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- (j) Upholding the spirit of social responsibilities and accountabilities in line with the legislations, regulations and guidelines governing Bursa.

## **11. WHISTLE-BLOWING POLICY**

The Board has formulated a whistle-blowing policy to encourage employees to disclose any malpractice or misconduct of which they become aware of and to provide protection for the reporting of such alleged malpractice or misconduct. The full text of the whistle-blowing policy of the Company is set out in Appendix IV.

## **12. SUSTAINABILITY POLICY**

The Company realizes that the sustainable running of a company is not only achieved by maximization of shareholders value but also by the value the Company brings to all its stakeholders. These include all external parties who affect or are affected by the Company's activities such as employees, customers, suppliers, local communities as well as natural environment in which the Company's business operates. The Board has formalized the Company's strategies on promoting sustainability in the conduct of the Company's businesses.

Sustainability efforts and initiatives are embedded in the day-to-day operational activities. In order to achieve an understanding of the constantly changing stakeholders group, the Company has to constantly and effectively engage with its stakeholders by achieving a satisfactory balance on bottom-line growth, welfare safeguard of people and community

within a harmonious state of the environment, such efforts are intended to benefit the shareholders, investors, operating environment, society, employees, customers, business partners, contractors, suppliers and other stakeholders.

**13. REVIEW OF BOARD CHARTER**

The Board Charter has been reviewed by the Board on 23 May 2018 and is made available for reference on the Company's website.

The Board will review this Charter from time to time and make the necessary amendments to ensure that they remain consistent with the Board's objective, current law and practices.

## **Appendix I – Terms of Reference of Audit Committee**

### **COMPOSITION OF THE AUDIT COMMITTEE**

#### **Chairman**

Dato' Dr Abdullah Bin Sepien – Independent Non-Executive Director

#### **Members**

Tan Sri Datuk Seri Ismail Bin Yusof – Independent Non-Executive Director

Ms. Tan Siew Poh – Non-Independent Non-Executive Director

#### **A) Composition of Audit Committee**

The Committee shall be appointed by the Directors from among its members which fulfils the following requirements:-

- a) the audit committee must be composed of not fewer than 3 members;
- b) all the audit committee must be non-executive directors, with a majority of them being independent directors;
- c) no alternate director of the Board shall be appointed as member of the Committee; and
- d) at least one member of the audit committee:-
  - (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least 3 years' working experience and:-
    - (aa) he/she must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - (bb) he/she must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967.
  - (iii) fulfils such other requirements as prescribed or approved by the Exchange.

The Audit Committee shall elect a Chairman from among its members who shall be an Independent Director.

In the event of any vacancy in an Audit Committee resulting in the non-compliance of the above, the Company must fill the vacancy within three (3) months.

All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Nomination Committee must review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee has carried out its duties in accordance with its terms of reference.

A Director who is a former key audit partner can only be appointed as a member of the Audit Committee after he has observed a cooling-off period of at least two (2) years.

**B) Meetings**

The Audit Committee shall meet at least four (4) times in each financial year although additional meetings may be called at any time, at the discretion of the Chairman of the Audit Committee.

The Chairman shall convene a meeting of the Audit Committee if requested to do so by any member, the management or the internal or external auditors to consider any matter within the scope and responsibilities of the Committee.

The Audit Committee shall convene meetings with the external auditors, the internal auditors or both, in the absence of the management and/or executive board members where necessary.

Other Board members and employees may attend the meeting upon the invitation of the Audit Committee.

Audit Committee meetings may be held at two (2) or more venues within or outside Malaysia using any technologies that enable the Audit Committee members as a whole to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting. A minute of the proceedings of such meeting is sufficient evidence of the proceedings to which it relates.

**C) Secretary to Audit Committee**

The Company Secretary shall be the secretary of the Audit Committee.

**D) Notice of Meetings**

Except in the case of an emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to the member either personally or by fax or e-mail or by post or by courier to his registered address as appearing in the Register of Directors, as the case may be.

**E) Quorum**

A quorum shall consist of a majority of members who are Independent Directors and shall not be less than two (2) members.

**F) Authority**

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors

and to all employees of the Group. The Committee is also authorized by the Board to obtain external legal or other independent professional advice as necessary.

## **G) Duties and Responsibilities**

The duties and responsibilities of the Audit Committee shall be:

- 1) Review the following with external auditors and report the same to the Board:
  - (i) audit plan, audit reports, major findings and management's responses thereon;
  - (ii) evaluation of the system of internal controls;
  - (iii) audit fees, including the monitoring and approval of all non-audit services;
  - (iv) matters concerning the nomination, appointment (and re-appointment), resignation or dismissal of external auditors as well as the external auditors' independence, objectives and effectiveness, taking into consideration their relevant professional and regulatory requirements;
  - (v) the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved before the audit commences; and
  - (vi) the assistance given by the Group's employees to the external auditors.
  
- 2) Review the following in relation to the internal audit function:
  - (i) adequacy of the scope, functions, competency and resources of the internal audit department and that it has the necessary authority to carry out its work;
  - (ii) the internal audit plans and programs, processes, the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (iii) approve any appointment or termination of senior staff members of the in-house internal audit department;
  - (iv) take cognisance of all resignations and provide the resigning internal audit member to submit his reasons for resigning; and
  - (v) the assistance given by the Group's employees to the internal auditors and co-ordination of the internal auditors with the external auditors.
  
- 3) Review, manage and monitor risks that could potentially impact the Group and to oversee the implementation of risk governance on behalf of the Board.
  
- 4) Review the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) significant and unusual events;
  - (iii) going concern assumption;
  - (iv) compliance with accounting standards and other legal requirements; and

- (v) major judgemental areas.
- 5) Review and monitor any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 6) Oversee the Group's internal control structure to ensure operational effectiveness and efficiency, protect the Group's assets from misappropriation and encourage legal and regulatory compliance.
- 7) Consider the major findings of internal investigations and management's responses.
- 8) To undertake such other functions as may be agreed to by the Audit Committee and the Board.

## **Appendix II - Terms of Reference of Nomination Committee**

### **A) COMPOSITION OF NOMINATION COMMITTEE**

The Nomination Committee shall be appointed by the Board from among their members and shall be composed exclusively for Non-Executive Directors of not fewer than three (3) members.

The majority of the members of the Committee shall elect a Chairman from among their members who is an Independent Non-Executive Director of the Company.

### **B) MEETINGS**

The Committee shall meet at least once a year. However, additional meetings may be called at any time at the Nomination Committee Chairman's discretion.

The Nomination Committee may deal with matters by way of circular resolution in lieu of convening a formal meeting.

The Nomination Committee may request other directors and key executives to participate in Nomination Committee meetings, as necessary, to carry out the Nomination Committee's responsibilities.

The quorum of the meeting shall be two (2) members.

### **C) SECRETARY**

The secretary to the Committee shall be the Company Secretary.

### **D) REPORTING**

The Chairman of the Committee shall report on each meeting to the Board.

### **E) AUTHORITY**

The Nomination Committee is entrusted with the task of proposing new nominees for the Board and for assessing the existing Directors on an on-going basis.

The Board should work together with the nomination Committee to evaluate potential successors, taking into account the challenge and opportunities facing the Company, and the skills and expertise, including diversity (gender), needed on the board in the future.

The ultimate decision as to who shall be nominated should be the responsibility of the full board after considering the recommendation of the Committee.

## **F) DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee shall be :-

- To determine the core competencies and skills required of the Board members to best serve the business and operations of the Group as a whole and the optimum size of the Board to reflect the desired skills and competencies;
- To recommend to the Board on the appropriate number of Directors to compose the Board which should fairly reflect the investments of the minority shareholders in the Company, and whether the current Board representation satisfies this requirements;
- To consider in making its recommendations, candidates for Directorship proposed by the Executive Director and, within the bounds of practicability, by any other senior executive or any Director or shareholder;
- To undertake an annual review of the required mix of skills and experience and other qualities of Directors, including core competencies, professionalism, integrity, gender diversity and time commitment which Non-Executive Directors should bring to the Board;
- To assist the Board to implement a procedure to be carried out by the Nomination Committee annually for assessing the effectiveness of the Board as a whole, the committees of the Board and for assessing the contributions and performance of Directors and Board Committee members and recommending directors for re-appointment and re-election subject to satisfactory outcome of the evaluation of their performance;
- To monitor and recommend the functions to be undertaken by the various Board Committee;
- To evaluate the independence of each independent director on a yearly basis;
- To facilitate board induction and training programmes;
- To review the term of office and performance of the Audit Committee and each of its members annually; and
- To develop Board's succession plan.

### **Appendix III - Terms of Reference of Remuneration Committee**

#### **A) COMPOSITION OF REMUNERATION COMMITTEE**

The Remuneration Committee shall be appointed by the Board from among their members and shall be composed of not fewer than three (3) members.

The members of the Committee shall only consist of Non-Executive Directors and a majority of them must be Independent Director.

The members of the Committee shall elect a Chairman from among their members who is a Non-Executive Director of the Company.

#### **B) MEETINGS**

The Committee shall meet at least once a year. However, additional meetings may be called at any time at the Remuneration Committee Chairman's discretion.

The Remuneration Committee may deal with matters by way of circular resolution in lieu of convening a formal meeting.

The quorum of the meeting shall be two (2) members.

#### **C) SECRETARY**

The secretary to the Committee shall be the Company Secretary.

#### **D) REPORTING**

The Chairman of the Committee shall report on each meeting to the Board.

#### **E) DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee shall be:-

- To recommend to the Board the remuneration of the Non-Executive Chairman and Executive Directors.
- To ensure that a fair differential between the remuneration of Board members and other levels of management is maintained;
- To conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to corporate and individual performance;
- To obtain the advice and information from external source, if necessary, to compare the remuneration currently earned by the Executive Directors and those paid to

Executive Directors of other companies of a similar size in a comparable industry sector;

- To ensure that the base salary element is competitive but fair;
- To provide an objective and independent assessment of the benefits granted to executive directors;
- To introduce any regulation, which would enable the smooth administration and effective discharge of the Committee's duties and responsibilities;
- To furnish a report to the Board of any findings of the Committee;
- To review and recommend the remuneration of Non-Executive Directors to the Board;
- To review the performance of, and recommending to, the board for approving the annual total remuneration packages (guaranteed pay, short and long-term incentives and any compensation payable for loss or termination of office or appointment) of individual executive directors; and
- To empower the Executive Director to review the performance and remuneration packages of the senior management.

## **Appendix IV - Terms of Reference of Risk Management Committee**

### **1. OBJECTIVES**

- 1.1 To recommend and to establish Risk Management Policies to the Board taking into consideration the Group's risk appetite relative to business goals and objectives;
- 1.2 To continuously review and assess the adequacy of the Risk Management Policies especially in areas of on-going business operations, the integrity of Financial Administration/Reporting, Compliance with laws/regulations/guidelines etc; and
- 1.3 Communicate the Policies and Procedures to all employees across the Group vide internal control mechanism.

### **2. COMPOSITION**

- 2.1 The RMC shall be appointed by the Board of Directors and shall comprise at least Five (5) members, which include Group Division/Department Heads, three of whom to be members of the Board.
- 2.2 No Alternate Director shall be appointed as a member of the RMC.
- 2.3 The RMC shall have a mixture of expertise and experience especially in the industry in which the group operates.

### **3. AUTHORITY & SCOPE**

- 3.1 The RMC shall be delegated authority from the Board of Directors in carrying out its objectives set out in section 1 herein.
- 3.2 The RMC is authorized by the Board of Directors to investigate any activity within its terms of reference. It has free access to all information and documents it requires for the purpose of discharging its functions and responsibilities.
- 3.3 In doing so, it shall with the endorsement of the Audit Committee call on the Internal Auditor to conduct, identify and review risk management activities under taken by the Group.

### **4. TERMS OF MEMBERSHIP**

- 4.1 The term of office and performance of the RMC and each of its members shall be reviewed by the Board at least once every three (3) years to determine if the RMC have carried out their duties in accordance with the terms of reference.
- 4.2 Members will be eligible for reappointment at the end of the three (3) year period, subject to a review by the Board of the performance of the members.

4.3 Members may relinquish their membership with prior written notice to the Company Secretary.

4.4 In the event that there are vacancies resulting in the members falling below Five (5), the vacancy is to be filled within three (3) months.

## **5. MEETINGS**

5.1 The RMC shall meet at least four (4) times in a financial year.

5.2 The Chairman of the RMC shall report on each meeting to the Audit Committee and Board of Directors on the activities of the Committee.

5.3 In the absence of the Chairman, the Committee shall appoint the next Director to Chair the meeting.

5.4 A quorum of any meeting of the RMC shall consist of not less than Three (3) members.

## **6. ATTENDANCE AT MEETINGS**

6.1 The Committee may invite any persons to be in attendance to assist in its deliberations.

## **7. SECRETARY TO THE RMC**

7.1 The Secretary of the Committee shall be the company secretary.

7.2 The Secretary shall be responsible for drawing up the agenda in consultation with the Chairman and shall be responsible for keeping the minutes of the meetings of the Committee and circulating them to the committee members. The Agenda together with relevant explanatory papers and documents shall be circulated to the committee members prior to each meeting.

## **8. DUTIES AND RESPONSIBILITIES**

The RMC is responsible for:

8.1 To set the Procedures and Oversee the Risk Management Policies in particular the processes and compliance;

8.2 Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

- 8.3 To identify new risks in the evolving market which would encapsulate regulatory, business development areas;
- 8.4 Ensuring adequate infrastructure, resources and systems are in place for an effective risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the insurer's risk taking activities; and
- 8.5 Reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

## **9. POLICY**

- 9.1 To adopt a proactive and effective approach in managing its business risks in a rapidly changing business environment.
- 9.2 To comply with the relevant guidelines in the Malaysia Code of Corporate Governance and all applicable Malaysian laws in relation to risks.
- 9.3 To promote an effective risk awareness culture whereby risk management is recognised as an important aspect of the Group Management System.
- 9.4 To provide adequate infrastructure, resources and systems for effective risk management.
- 9.5 To maintain a high standard of service to the Company's clients at all times.
- 9.6 To preserve the safety, health and welfare of its employees.
- 9.7 To ensure financial stability and to protect the interest of all its stakeholders.

## **Appendix V - Whistle-Blowing Policy**

### **1.0 Policy Statement**

The Company is committed to achieving and maintaining the highest standard of work ethics in the conduct of business in line with the Company's Code of Business Conduct & Ethics and good corporate governance practices.

The Company encourages its employees to raise genuine concerns about possible improprieties in matters of financial reporting, compliance, suspected violations of the Company's Code of Business Conduct & Ethics and to disclose any improper conduct or other malpractices within the group (i.e. whistleblowing) in an appropriate way without fear of retaliation and to offer protection for such persons (including the employees of the Group) who report such allegations.

### **2.0 Purpose/Objective of Whistleblowing**

This Whistle-Blowing Policy has been formulated to achieve inter alia, the following:-

- (a) To encourage employees to disclose any malpractice or misconduct of which they become aware of;
- (b) To ensure that all allegations are thoroughly investigated and appropriate action to be taken accordingly;
- (c) To protect the whistle-blowing employee from adverse employment actions, harassments or other forms of discrimination, even if the allegations are proven to be incorrect or unsubstantiated; and
- (d) To take all steps necessary to preserve the anonymity of the whistle-blower, although there may be unavoidable situations where this control cannot be achieved.

### **3.0 Procedures**

An employee who reasonably believes or has reason to believe that inappropriate business conduct has occurred or is occurring should raise the issue with their immediate reporting manager or if the employee is not comfortable with the said manager, such conduct or activity should be reported to the Head of Department of the relevant business division. Upon receipt of such allegations, the same will have to report the occurrence to the Chairman of the Audit Committee.

The Audit Committee will then direct the internal audit to undertake the necessary inquiry and investigation, after which the Committee will make a finding based on the results of the investigations and the same will be notified to the whistle-blower.

If the claim of malpractice or misconduct is established, appropriate disciplinary actions will be taken against the defaulting officer up to and including termination of employment.

Any concerns relating to misconduct, questionable issues or improper actions should be in writing and directed to the Senior Independent Director by providing the following information which shall be classified as “Strictly Private and Confidential”:-

- Nature of misconduct, questionable issues or improper actions;
- Name of person/persons involved;
- Date, time and location;
- The details of the events taken place;
- Other witness, if any
- Documentation or evidence available

At the contact details as stated below:-

**Dato’ Abdullah bin Sepien**  
**The Senior Independent Director**  
c/o South Malaysia Industries Berhad  
15<sup>th</sup> Floor, Menara SMI  
No. 6 Lorong P. Ramlee  
50250 Kuala Lumpur  
Email: [abdullahsepien@smib.com.my](mailto:abdullahsepien@smib.com.my)