



METROD HOLDINGS BERHAD

BOARD CHARTER

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SCHEDULE OF MATTERS REQUIRING BOARD'S APPROVAL

The authorities of the Board are specified below and such authorities may be modified or varied from time to time as determined by the Board.

Conduct of Board

- Appointment and removal of directors.
- Appointment and removal of Company Secretary.
- Appointment of Board committees and members.
- Approval of terms of reference of board committees and amendments to such terms.
- Appointment of the President & Chief Executive Officer (“CEO”) and his duties and the continuation (or not) of his service.
- Annual Review of required mix, skills and experience of the Board, process for annual assessment of the effectiveness of the Board as a whole.

Remuneration

- Approval of the remuneration arrangements for non-executive directors.
- Approval of the remuneration structure and policy for executive directors.
- Approval of remuneration packages for executive directors and senior executives.
- Approval for any proposed new employee share scheme and/or amendments to the existing scheme, subject to other approvals that may be required by law or regulations.
- Approval of allocation and share grants in the Company’s Employee Share Scheme.

Operational

- Approval of business strategies, group operational plan, budget and significant policies.
- Ongoing review performance against business strategy and group operational plans to ensure that the Company’s strategies promote sustainability.
- Ensure there is internal control system and to review the adequacy and integrity of the system;

- Ensure the principal risks in the Group are identified, measured and with appropriate systems of internal controls;
- Review the risk management guidelines, procedures and standards to ensure they provide effective governance of the Group's risk taking activities;
- Approval of major capital expenditure as may be determined from time to time.
- Approval of bad debts write-off as may be determined from time to time.
- Approval of investment or divestment in a company/business/property/undertaking.
- Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities.
- Approval of changes in the major activities of the Company or Group.
- Approval of treasury policies.
- Setting or variation of the authority level of the President & CEO.
- Deliberate and approve major issues and decisions

Financial

- Approval of interim and annual financial statements after taking into consideration the recommendations of the Audit Committee.
- Approval for the release of financial announcements.
- Approval of the annual Directors' Report and Statutory Accounts.
- Approval of interim dividends, the recommendation of final dividends and the making of any other distribution.
- Adoption of accounting policies after taking into consideration the recommendations of the Audit Committee.
- Approval of corporate policies and procedures, where appropriate.
- Review of Group's system of internal control after review of its effectiveness by the Audit Committee.

Other matters including:

- The granting of powers of attorney by the Company.
- Approval and acceptance of bank facilities and authorities.
- The entering into any indemnities or guarantees.
- Recommendations for the alteration of the Memorandum and Articles of Association of the Company.
- Alteration of the accounting reference date, registered office and name of the Company.
- Purchase of own shares by the Company (if any).
- Issue of any debt instruments.
- Substantial political or charitable contributions.
- Any scheme of reconstruction or restructuring.
- Any other significant business decision.
- Any other matter requiring the convening of a general meeting of shareholders or any class of shareholders.
- Any other matter which the Board considers appropriate to ensure that the direction and control of the company is firmly in its hands.

OTHER BOARD'S MATTERS

Access to Information and Advice

- The Board is allowed to have access to all information pertaining to the Company. Upon receipt of the request from the Board, management should supply accurate and complete information to the Board in a timely manner to enable the Board to discharge its duties effectively.
- The Board has identified the following persons to allow its members access to information and advice as and when required:
 - Rajan Mittal (President & CEO)
 - Company Secretaries
- Occasions may arise when the board has to seek legal, financial, governance or expert advice in the course of their duties. The Board should be able to consult advisers and, when considered necessary, to seek independent professional advice. Nevertheless, the Board members are advised to inform the Board on his needs and present the necessary quotation to the Board for approval.
- The Board is supported by two suitably qualified and competent Company Secretaries to ensure the Board is adhered to Board policies and procedures from time to time.
- The Board is encouraged to consult the Company Secretaries on procedural and regulatory requirements to enable the Board members to discharge its duties and responsibilities.
- The Directors acknowledge that confidential information received in the course of exercising of the Board duties remains the property of the Group, whether it relates to the Group or another entity. It will not be disclosed unless either the Chairman of the Board has so authorised in writing or disclosure is required by law.

Directors' Training

- All the Board members must attend the training programmes for continuous education to update their knowledge and enhance their skills with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contribution to the Board and Group. The Nomination Committee/Board would review the Directors' training needs from time to time.
- The Directors are regularly updated by the Company Secretary on updates and amendments to the relevant guidelines on statutory and regulatory requirements relating to Directors' duties and responsibilities to the effective discharge of their duties as Directors of the Company.

Review of Board Charter

The Board shall review the Board Charter as and when required to ensure its relevance to the Company's situation, and to make necessary amendments, alteration or waiver the sections of this Board Charter provided that any such modification or waiver may not be a violation of any applicable law, rule or regulation and which will be in accordance with the corporate laws and regulations that may arise from time to time and to ensure that the Board Charter remains consistent with the Board's objective and responsibilities.

Time Commitment for Board Members

- The Board is advised to devote sufficient time to carry out their responsibilities and will obtain this commitment from its new members at the time of appointment. The existing Directors are also advised to notify the Chairman before accepting any new directorship and on the indication of time that will be spent on the new appointment.

POSITION DESCRIPTION OF THE CHAIRMAN

The responsibilities of the Chairman include:

- 1) Providing leadership to the Board;
- 2) Chairing meetings of the Board in such a manner that will stimulate debate on issues before the Board and encourage the most effective contribution from each Board Member;
- 3) Chairing meetings of shareholders;
- 4) Establishing procedures to govern the Board's work;
- 5) Ensuring the Board's full discharge of its duties;
- 6) Scheduling of the full Board;
- 7) Organising and presenting the agenda for regular or special Board meetings based on input from other directors and the Company Secretary;
- 8) Ensuring proper flow of information to the Board, reviewing adequacy and timing of documentary materials in support of management's proposal and review of performance of the Company and/or Group;
- 9) Ensuring adequate lead time for effective study and discussion of business under consideration;
- 10) Identifying guidelines for the conduct of directors, and ensuring that each director is making a significant contribution. The Chairman will keep under review, informally, the contributions made by Board Members;
- 11) Acting as liaison between the Board and management. The Chairman should act as the main informal link between the Board and management and particularly between the Board and the President & CEO;
- 12) Ensuring that all Board Members, when taking up office, are fully briefed on the terms of their appointment, duties and responsibilities and the business of the Group;
- 13) Together with the President & CEO, represent the Company and/or Group to external groups such as shareholders, creditors, consumer groups, local communities and federal, state, and local governments;

- 14) In conjunction with the President & CEO, playing a leading role in:
 - Formulating the Board's strategic direction and planning process;
 - Encouraging high standards of propriety and promoting efficient and effective use of staff and other resources throughout the organisation;
 - Fostering high corporate ethical standards and positive relationships with the Company's shareholders; and
 - Acting as the Chief Spokesperson of the Group.
- 15) Active participation in the selection of Board Members and ensuring the membership is properly balanced;
- 16) Ensuring proper committee structure, including assignments of members and committee chairmen; and
- 17) Carrying out other duties as requested by the Board as a whole, depending on the needs and circumstances.

POSITION DESCRIPTION OF THE PRESIDENT & CEO

The President & CEO is accountable to the Board for the overall organisation, management, and staffing of the Company and/or Group and for the procedures in financial and other matters, including conduct and discipline. This includes promoting by leadership. The President & CEO's authority is explicitly provided for in the Limits of Authority. Board Members should support the President & CEO in undertaking this responsibility.

The roles of the President & CEO can be summarised as follows:

1. Fosters a corporate culture that promotes ethical practices, encourages individual integrity and social responsibility;
2. Maintains a positive and ethical work climate that is conducive to attracting, retaining, and motivating a diverse group of top-quality employees at all levels;
3. Develops and recommends to the Board a long-term strategy and vision for the Company and/or Group that leads to the creation of shareholder value;
4. Develops and recommends to the Board the operational plan and budget that support the Company's and/or the Group's long-term strategy;
5. Manages the overall business and oversees the day-to-day operations of the Company;
6. Ensures continuous improvement in the quality and value of the products and services provided by the Group;
7. Ensures that the Company achieves and maintains a satisfactory competitive position within its industry;
8. Recommends a management structure and operating authority levels which include delegation of responsibilities to management;
9. Ensures that the Company has an effective management team below the level of the President & Chief Executive Officer and has an active plan for its development and succession;
10. Ensures, in co-operation with the Board, that there is an effective succession plan in place for the President & CEO position;
11. Formulates and oversees the implementation of major corporate policies;
12. Accountable to the Board for the propriety and regularity of the finances;

13. Responsible for the financial management of the Company and/or Group and overseeing the handling of financial matters which include keeping proper accounts for prudent and economical administration, avoidance of waste and extravagance for efficient and effective use of all the resources;
14. Reports to the Board periodically on the financial positions of the Group which include forecast results as required from time to time;
15. Reports to the Board on key performance indicators in relation to the financial results, market conditions and other developments;
16. Recommends annual key management salary increment and employees share option entitlement;
17. Reports on the results of employee union negotiation;
18. Reports on significant business decisions; and
19. Refers to the Chairman or other board committees on matters requested from time to time.

POSITION DESCRIPTION OF THE NON-EXECUTIVE DIRECTORS

Non-Executive Directors are:

- Those who have no direct or indirect pecuniary interest in the Company other than their Directors' emoluments and their "permitted" shareholdings in the Company;
- Those who are not employees of the Company or affiliated with it in any other way and are not involved in the day-to-day running of business but may have pecuniary interest in the Company, whether direct or indirect; or
- Those who are not employees of the Company but are standing as nominees for substantial shareholders.

The roles of the Non-Executive Directors can be summarised as follows:

1. Act as a bridge between management and stakeholders, particularly shareholders. They could provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied.
2. For the board to create an environment that allows the expression of disagreement when discussing strategic issues.
3. Bring dispassionate objectivity that a director with a relationship with the Company cannot provide.

POSITION DESCRIPTION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent Directors are essential for protecting the interests of minority shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. Since an Independent Director has no conflict of interests in the discharge of his duties, he ought to approach any approval that is being sought at board level for a transaction or any matter with a watchful eye and with an inquiring mind.

Paragraph 1.01 of the Listing Requirements provides that an Independent Director is one who is independent of management and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interests of a listed company.

The Independent Director of the Company must be a person who:

- is not an executive director of the Company or any related corporation of the Company;
- has not been within the last 2 years and is not an officer (except as a non-executive director) of the Company;
- is not a major shareholder of the Company;
- is not a relative of any executive director, officer or major shareholder of the Company;
- is not acting as a nominee or representative of any executive director or major shareholder of the Company;
- has not been engaged as a professional adviser by the Company under such circumstances as prescribed by Bursa Securities or is not presently a partner, director (except as an independent director) or a major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company under such circumstances as prescribed by Bursa Securities; or
- has not engaged in any transaction with the Company under such circumstances as prescribed by Bursa Securities or is not presently a partner, director or a major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has been engaged in any transaction with the Company under such circumstances as prescribed by Bursa Securities.

Recommendation 3.2 of the Malaysian Code on Corporate Governance 2012 recommends that the tenure of an independent director should not exceed 9 years cumulatively. After 9 years, such independent director may continue to serve on the board subject to his re-designation as a non-independent director.

Alternatively, the Board may justify and seek shareholders' approval at the Annual General Meeting in the event it retains as an independent director a person who has served in that capacity for more than 9 years based on the recommendation by the Nomination Committee.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Membership

1. The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements: -
 - a) the Committee must be composed of no fewer than three (3) Members;
 - b) all the Committee Members must be Non-Executive Directors, with all of them being Independent Directors; and
 - c) at least one (1) member of the Committee:
 - i) must be a member of the Malaysian Institute of Accountants; or
 - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967;
2. The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.
3. No Alternate Director should be appointed as a Member of the Committee.
4. In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirement of the Bursa Malaysia Securities Berhad pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.
5. The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

Meetings

1. **Secretary**

The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.
2. **Frequency**
 - (a) Meetings shall be held not less than four (4) times a year.
 - (b) Upon the request of the External Auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.

3. **Quorum**
A quorum shall consist of a majority of Independent Directors.
4. **Attendance**
 - (a) The Financial Director, the Head of Internal Audit and a representative of the External Auditors shall normally attend meetings.
 - (b) Other Directors and Employees may attend any particular meeting only at the Committee's invitation, specific to the relevant Meeting.
5. **Reporting Procedure**
The Minutes of each Meeting shall be circulated to all Members of the Board.
6. **Meeting Procedure**
The Committee shall regulate its own procedure, in particular: -
 - (a) the Calling of Meetings;
 - (b) the Notice to be given of such Meetings;
 - (c) the Voting and Proceedings of such Meetings;
 - (d) the Keeping of Minutes; and
 - (e) the Custody, Production and Inspection of such Minutes.

Rights

The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the External Auditor and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene Meetings with External Auditors, the Internal Auditors or both, excluding the attendance of the other Directors and Employees of the Company, whenever deemed necessary.

Functions

1. The Committee shall, amongst others, discharge the following functions:

To review:

- (a) the Quarterly Results and year end Financial Statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - i) the going concern assumption;
 - ii) the changes in or implementation of major accounting policy changes;
 - iii) the significant and unusual events; and

- iv) the compliance with accounting standards and other legal requirements.
 - (b) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions on management integrity.
 - (c) with the External Auditors:
 - i) the Audit Plan;
 - ii) his evaluation of the system of internal controls;
 - iii) his Audit Report;
 - iv) his management letter and management's response; and
 - v) the assistance given by the Company's employees to the External Auditors.
2. In respect of the appointment of External Auditors:
- (a) to review whether there is reason (supported by grounds) to believe that the External Auditors is not suitable for re-appointment;
 - (b) to consider the nomination of a person or persons as External Auditors and the audit fee; and
 - (c) to consider any questions of resignation or dismissal of External Auditors.
3. In respect of the Internal Audit Function:
- (a) to review the adequacy of the scope, functions, competency and resources of the Internal Audit Function and that it has the necessary authority to carry out its work;
 - (b) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit Function;
 - (c) to ensure Internal Audit Function is Independent of the activities in Audits; and
 - (d) to ensure the Internal Audit Function reports directly to the Audit Committee.
4. To promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad.
5. To carry out such other functions as may be agreed to by the Committee and the Board of Directors.

TERMS OF REFERENCE OF THE NOMINATION COMMITTEE

1.0 PURPOSE

The purpose of the establishment of the Nomination Committee (“NC” or “Committee”) is to assist the Board of Directors to identify, nominate and orientate new Directors.

2.0 COMPOSITION AND SIZE

The NC shall be appointed by the Board of Directors and comprise exclusively of Non- Executive Directors a majority of whom are Independent Non-Executive Directors. The size of NC shall consist of not less than three (3) members.

The Board of Directors should assess the effectiveness of the NC on an annual basis.

3.0 CHAIRMAN

The Board of Directors must elect a Chairman among Committee members who is an Independent Non-Executive Director. The chair of the Nomination Committee should be appointed as the Senior Independent Director of the Company.

In the absence of the Chairman of the NC in a Meeting, the members present shall elect one of their numbers to be chairman of the Meeting.

4.0 SECRETARY

The Company Secretary shall be the Secretary of the NC or in his absence, the Chairman of the Committee or chairman of the Meeting shall choose another person as the secretary of the Meeting.

5.1 MEETINGS

(a) The NC should meet at least once a year to discharge its responsibilities as spelt out in its Terms of Reference. More frequent meetings may be called as and when the need arises.

(b) The quorum shall be two (2) members with a majority of members present must be Non-Executive Directors.

(c) The NC may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting. Minutes of such a meeting signed by the Chairman of the Committee shall be conclusive evidence of any resolution passed at the meeting conducted in the manner as aforesaid.

- (d) Other Directors, key executives and employees may attend any particular meeting only at the Committee's invitation.
- (e) The Minutes of each Meeting shall be made available to all members of the Board upon request.
- (f) The Board of Directors should be kept aware of the Committee's activities by way of the Committee Minutes being circulated together with the board meeting papers.
- (g) The NC should be provided with sufficient resources to undertake its duties. It should have access to services of the Company Secretary or seek professional advice at the Company's expense, if necessary, on all NC matters.
- (h) A resolution in writing signed or approved via letter, telex or facsimile by all Committee members shall be effective for all purposes as a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

6.0 RESPONSIBILITIES AND HOW THE COMMITTEE WORKS

- (i) The Terms of Reference of NC would be reviewed by the Board of Directors annually and updated as appropriate. The annual review of its Terms of Reference would be a robust process, reflecting changes to the Company's circumstances and any new regulations that may impact upon the NC's responsibilities.
- (ii) The NC is responsible for:
 - (a) Re-nomination of the Directors having regard to the Director's contribution and performance.
 - (b) Determining annually whether or not a Director is independent.
 - (c) Deciding whether or not a Director is able to and has been adequately carrying out his duties as a director.
 - (d) Identifying, nominating and orientating new Directors.
 - (e) Ensuring that the Board level recruitment matters are discussed in depth, allowing the Board to spend time on strategic and operational matters.

- (f) Ensuring that the Company recruits and retains the best available Executive and Non-Executive Directors.
- (g) Recommending to the Board of Directors a Nomination Framework for the evaluation of the Board's and individual's performance for approval of the Board of Directors.
- (h) Reviewing and recommending the nomination or re-nomination of the Directors having regard to the Director's- contribution and performance.
- (i) Recommending to the Board of Directors, candidates for all Directorships to be filled by the Shareholders or the Board of Director is after taking into consideration the candidates':
 - (aa) skills, knowledge, expertise and experience;
 - (bb) professionalism;
 - (cc) integrity; and
 - (dd) in the case of the candidates for the position of the Independent Non-Executive Directors, the NC should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.
- (j) Considering, in making recommendations, candidates proposed by the CEO and within the bounds of practicability, by any Senior Management or any Director or Shareholder.
- (k) Recommending to the Board of Directors, candidates to fill the seats on Board Committees.
- (l) Assisting the Board in an annual review of the required mix of skills and experience and other qualities, including core competencies which Non- Executive Directors should bring to the Board.
- (m) Assisting the Board in an annual review of the effectiveness of the Board of Directors as a whole, the Board Committees and contribution of each individual Director and President & CEO, including Independence of each Independent Director.
- (n) Reviewing and approving any new employment of related persons and the proposed terms of their employment.

- (o) Considering and assessing the list of directors who are retiring by rotation to put forward for re-election, subject to the approval of shareholders at the Company's Annual General Meeting annually.
- (p) Recommending individuals for nomination as members of the Board by assessing the desirability of renewing existing directorships. Due consideration should be given to the extent to which the interplay of the Director's expertise, skills, knowledge and experience was demonstrated with those of other Board members.
- (q) Periodically reporting to the Board of Directors on succession planning for the Board.
- (iii) In exercising objectivity in the assessment process, the Committee Members should not be influenced by major controlling Shareholders or the President & CEO or Executive Directors.
- (iv) The Board remains responsible for considering and approving recommendations from the NC.
- (v) The Board should work together with the NC to evaluate potential successors of Board Chairman President & CEO.
- (vi) Each Committee Member should abstain from discussion or voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.