

BOARD CHARTER

1. INTRODUCTION

The Board of Directors (“the Board”) of IRIS Corporation Berhad (“IRIS” or “the Company”) regards Corporate Governance as being vital and important to the success of IRIS and its Group of Companies (“the Group”), including practising a high level of good corporate governance. In view thereof, this Board Charter is established to promote high standards of corporate governance and is designed to provide guidance and clarity to the Directors and management with regards to the role of the Board and its committees and 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. OBJECTIVES

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and to provide a concise overview of:-

- (i) A strategic guidance and effective oversight of management;
- (ii) Clarification of the roles and responsibilities of the Board, individual director, chairman, chief executive officer and management to facilitate the Board, individual director, chairman, chief executive officer and management’s accountability to the Company and its shareholders;
- (iii) Delegation of authority by the Board to various committees established in assisting the Board to execute its duties and responsibilities; and
- (iv) Board’s operating procedures and practices pertaining to meetings, trainings and developments, code of conduct and declaration on conflicts of interest.

The Board Charter would act as a source reference and primary induction literature to provide insights to prospective Board members and senior management. It will also assist the Board in the assessment of its own performance and of its individual Directors.

3. BOARD STRUCTURE

3.1 Board Balance and Composition

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.

The Articles of Association of the Company provides for a minimum of two (2) directors and a maximum of 15 directors. In accordance with Rule 15.02 of the ACE Market Listing Requirements (“Listing Requirement”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the number of Independent Directors should make up of at least two or one-third, whichever is higher, of the Board. The Independent Directors shall provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interest of all shareholders, and not only the interests of a particular group, and that all relevant matters and issues are objectively and impartially considered by the Board. The views and opinions of the Independent Directors shall carry significant weight in the Board’s decision-making process.

If, on any matter discussed at a Board Meeting, any Director holding differing views to those of any other Directors, the Board minutes shall clearly reflect this.

The composition and size of the Board are reviewed from time to time to ensure its appropriateness.

Where the Chairman of the Board is not an independent director, the Board shall comprise a majority of independent directors as recommended by Recommendation 3.5 of the Malaysian Code of Corporate Governance 2012.

3.2 Appointments and Re-election

New Board Members are to be appointed by appropriate recommendation of the Nomination Committee for the Board’s consideration and a decision of the full Board shall be obtained.

3.2 Appointments and Re-election (Cont'd)

Newly appointed Directors are expected to declare their time commitment to the Board. If they sit in other listed corporations as a director, they shall notify the Chairman of the Board or the Company Secretary before accepting any new directorship. The Notification shall include an indication of time that will be spent on the new appointment.

The number of directorships in listed corporations held by any Board Member at any one time shall comply with the Listing Requirements of Bursa Securities.

Appropriate induction programme for newly appointed Directors shall be carried out with appropriate assistance from the Executive directors.

The Articles of Association of the Company provides that every newly appointed Director be subjected to re-election at the Company's next Annual General Meeting ("AGM") subsequent to their appointment. Further, one third of the Board shall retire from office and be eligible for re-election at every AGM, and all Directors shall submit themselves for re-election at least every three (3) years.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are or over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the conclusion of the next AGM.

3.3 Independence of Director

The Board assesses the independence of the Directors annually by taking into consideration of their disclosed interests and having regard to the criteria for assessing the independence of Directors under the annual Board Assessment. A separate assessment for Independent Directors is also undertaken annually.

3.4 Tenure of the Directors

The Independent Directors whose tenure exceeds a cumulative term of nine (9) years may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. The Board must justify and seek the shareholders' approval in the event it retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

3.5 Mandatory and Continuous Educational and Training

The Board shall ensure compliance of Bursa Securities Mandatory Accredited Programme (“MAP”) for newly appointed directors and assess further training programmes needs of the directors on an on-going basis.

The Board shall adopt a continuous educational and training programme to update Board members relating to new developments of laws, regulations and other business and management related subjects, risks control and management subjects that may affect the Company’s business and compliance requirements.

4. **ROLES AND RESPONSIBILITIES**

4.1 Board Overall Responsibilities

The Board assumes, amongst others, the following duties and responsibilities:-

- i. Reviewing and adopting the overall strategic plans and programmes for the Company and the Group;
- ii. Overseeing and evaluating the conduct of business of the Company and Group;
- iii. Identifying principal risks and ensuring implementation of appropriate internal controls to manage such risks;
- iv. Ensure that there is in place an appropriate succession plan for senior management;
- v. Developing and implementing an investor relations programme or a shareholder communication policy for the Company;
- vi. Reviewing the adequacy and the integrity of the management information and internal controls systems of the Company and Group; and
- vii. Ensuring that financial statements are prepared in accordance with the Companies Act and applicable approved accounting reporting standards.

Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, should be aware of their responsibilities to the shareholders and stakeholders for the manner in which the affairs of the Company and Group are managed

Directors should consult a suitably qualified, experienced and competent Company Secretary and / or the Chairman, as required for any clarifications on their responsibilities and duties and any dealings from which potential conflict of interest situation may arise.

4.2 Role of Individual Director

Directors are expected to comply with their legal, statutory and fiduciary duties and obligations when discharging their responsibilities as Directors. Broadly these include:-

- i. acting in good faith and in the best interests of the Company as a whole;
- ii. acting with care and diligence and for proper purpose;
- iii. avoiding conflicts of interest with the Company in a personal or professional capacity; and
- iv. refraining from making improper use of information gained through the position of director and from taking improper advantage of the position of director.

Directors will keep all Board information, discussions, deliberations and decisions that are not publicly known confidential and not use information gained through the Board for their interest, or their employers' interest.

4.3 Role of Senior Independent Director

The Board may appoint a Senior Independent Director to whom concerns pertaining to the Group may be conveyed by shareholders and the public.

4.4 Role of Chairman and Managing Director

The Chairman is elected by the Board members to provide leadership at Board level and represents the Board to the shareholders and other stakeholders. The Chairman is responsible for ensuring integrity and effectiveness of the Board and its committees. The Board ensures that its Chairman is a non-executive member of the Board.

The role of the Non-Executive Chairman and the Managing Director are distinct and separate to ensure there is a balance of power and authority and to promote accountability and facilitates division of responsibility between them. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, while the Managing Director has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The Managing Director is responsible to ensure due execution of strategic goals, effective operation within the Company, and to explain, clarify and inform the Board on matters pertaining to the Company.

4.4 Role of Chairman and Managing Director (Cont'd)

The responsibilities of the Chairman, amongst others, are as follows:-

- i. Facilitate all Board meetings and ensure the appropriate level of interaction among Board members, subsidiary Board members and senior management;
- ii. Ensure a balance composition of skills, knowledge and experience within the Board and an effective working, reporting and communication mode;
- iii. Ensure that material matters in respect of the business or governance of the Company or the Group are tabled and ventilated effectively for Board decision making;
- iv. Monitor the performance of the individual and collective roles of the directors and the Board;
- v. Maintain a regular and constructive dialogue with the Chief Executive Officer and senior management in respect of all material matters affecting the Company and the Group and to consult with the other Board members promptly and appropriately; and
- vi. Chair all meetings with the shareholders i.e. Annual General Meeting/ Extraordinary General Meeting.

The responsibilities of the Managing Director, amongst others, are as follows:-

- i. Develop and implement corporate strategies for the Company and the Group;
- ii. Supervise heads of divisions and departments who are responsible for all functions contributing to the success of the Company and the Group;
- iii. Ensure the efficiency and effectiveness of the operation for the Company and the Group;
- iv. Assess business opportunities which are of potential benefit to the Company and the Group;
- v. Bring material and other relevant matters to the attention of the Board in an accurate and timely manner.

As the Company and Group are expanding its businesses, the division of authority is constantly reviewed to ensure that the efficiency and performance of the Company and the Group remain at its level best.

4.5 Role of the Management

The responsibilities of the Management, in general, are:-

- i. Developing and proposing for the Board's approval, strategic plan and annual budget for the Company to ensure achievement of the objectives set by the Board;
- ii. Communicating to the staff and implementing the strategic plan approved by the Board and any decision of the Board to ensure that the objectives of the Company that were approved by the Board are met;
- iii. Running and managing the operations of the Company in a proper manner and in accordance with the Board's approved strategic plan within the authority limit set by the Board;
- iv. Setting up of an appropriate and effective internal control measure and risk management framework. Identifying, assessing key risks, managing and monitoring key risks;
- v. Assisting the Board in the establishment of Company or Group's policies by developing such policies for the Board's review and approval for Company and Group's adoption and implementing the approved policies;
- vi. Developing effective management information and internal control systems of the Company to ensure that integrity and adequacy of the systems are intact;
- vii. Reporting to the Board periodically on the performance of the Group against the approved plan and budget as well as other matters that is under the Board's purview in order to enable the Board to discharge its responsibilities effectively; and
- viii. Reporting to the Board on matters that required their decision/approval or of significance to the Company and Group.

4.6 Dynamic Interaction and Open Communication between the Board and Management

There must be a strong trust based relationship between the Board and Management, with the Board constructively challenging, and, at the same time supporting Management, and Management in turn should report in a similar manner.

The Board must be furnished with sufficient information, analysis and options in making decisions. The Board may, if necessary, seek independent professional advice at the Company's expense.

The Board and Management must have at least one dedicated session annually to challenge and debate strategic issues with Management. The session shall not be held during the scheduled board meeting dates to enable the Board to be focused on strategic issues.

4.7 Internal Control and Risk Management

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

The Board defines the risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/significant risk facing the Group.

The Company outsourced its internal audit function to a firm of consultants which provides the Board with the level of assurance required on the adequacy and integrity of the system of internal control. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the updated risk profile of the Company.

The objectives of the assignment are to independently review the system of internal control as established by Management, the adequacy of such internal control system in relation to the objectives and make appropriate recommendations for improvement. At least two cycles of internal audit were completed for each financial year under review, and findings from the internal audit had been communicated to the Audit Committee for review and endorsement.

The Audit Committee considers the report from the internal audit function and Management's responses, before reporting and making recommendations to the Board in strengthening the risk management and internal control systems.

5. DIRECTORS' REMUNERATION

The policy adopted on Directors' remuneration by the Company is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved.

The level of remuneration for the Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies.

6. 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:-

- (i) Audit Committee
- (ii) Nomination Committee
- (iii) Remuneration Committee

The Committees shall operate under clearly defined terms of reference. The Committees are authorized by the Board to deal with and to deliberate on matters delegated to them within their terms of reference. These committees do not make decision on behalf of the Board and the Company. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

6.1 Audit Committee

The Audit Committee shall comprise at least three (3) Non-Executive Directors, a majority of whom must be Independent Directors. No alternate Director can be appointed as a member of the Audit Committee. The Audit Committee will elect an Independent Director from amongst them as its Chairman.

The Audit Committee meets on a quarterly basis to carry out its functions. In fulfilling its primary objectives, the Audit Committee will need to undertake inter-alia the following functions:-

- i. To review the following and report the same to the Board:-
 - a. The nomination of the external auditors;
 - b. The adequacy of existing external auditors audit arrangements, with particular emphasis on the scope and quality of the audit;
 - c. The effectiveness and adequacy of the scope, functions, resources and competency of the internal audit functions and ensure that it has the necessary authority to carry out its work;
 - d. In relation to the internal audit function as follows:-
 - The internal audit programme and results of the internal audit process and where necessary, ensure that appropriate actions are taken on the recommendations of the internal auditors;
 - Any appraisal or assessment of the performance of members of the internal audit function;

6.1 Audit Committee (Cont'd)

- Approve any appointment or termination of the internal auditors; and
 - Take cognizance of resignation of internal auditors and provide the resigning internal auditors an opportunity to submit reasons for resigning.
 - e. The financial statements of the Group with both the external auditors and the management;
 - f. The audit plan, its evaluation of the system of internal control and the auditors' report with the external auditors;
 - g. Any management letter sent by the external auditors and the management's response to such letter;
 - h. Any letter of resignation from the external auditors;
 - i. The quarterly results and year-end financial statements of the Group, prior to approval by the Board, focusing particularly on the following:-
 - Changes in or implementation of accounting policies and practices;
 - Significant adjustments or unusual events; and
 - Compliance with accounting standards and other legal requirements
 - j. Compliance with accounting standards, regulatory and other legal requirements;
 - k. The assistance given by the employees of the Group to the external auditors;
 - l. All areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
 - m. All related party transactions and potential conflict of interest situations that may arise within the Group and the Company.
- ii. To consider the appointment of the external auditors, the audit fees and any questions of resignation or dismissal and on whether there is reason (supported by grounds) to believe that the Group's external auditors is not suitable for re-appointment;
- iii. To review and monitor the independence of external auditors;
- iv. To carry out any other function that may be mutually agreed upon by the Audit Committee and the Board, of which would be beneficial to the Group and ensure the effectiveness of discharge of the Audit Committee's duties and responsibilities; and
- v. The Audit Committee's actions shall be reported to the Board of Directors with such recommendations as the Audit Committee deems appropriate.

6.1 Audit Committee (Cont'd)

If the Audit Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities, the Audit Committee has the responsibility for reporting such matters to the relevant authority. The Audit Committee shall have the discretion to undertake such action independently from the Board of Directors.

The Committee shall meet with the external auditors without the presence of Executive Directors and Senior Management present at least twice a year.

6.2 Nomination Committee

The Nomination Committee shall comprise at least three (3) Non-Executive Directors, a majority of whom are Independent Directors. It shall be chaired by the Senior Independent Director identified by the Board.

The Nomination Committee's primary responsibilities include:-

- i. To consider, in making its recommendations to the Board, candidates proposed by the Managing Director for appointment as directors including the position of Managing Director to be filled for the Company and the Group;
- ii. To consider, in making its recommendations to the Board, candidates for appointment as directors proposed by the Managing Director and, by any other senior executive or any director or shareholder;
- iii. To recommend to the Board, Directors to fill the seats on Board Committees;
- iv. To annually review the Board's required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board;
- v. To assess annually the effectiveness of the Board as a whole and the Board Committees;
- vi. To consider and recommend to the Board the Training Programme for Directors; and
- vii. Any other such functions as may be delegated by the Board from time to time.

6.3 Remuneration Committee

The Remuneration Committee shall comprise at least two (2) members, comprising wholly or mainly Non-Executive Directors. The Chairman of the Remuneration Committee shall be elected by the Committee from among their members.

The Remuneration Committee's primary responsibilities include:-

- i. To review and establish a competitive compensation, benefits package and salary scales for Executive Directors and senior executives of the Company and the Group;
- ii. To review and recommend annual salary increments and bonuses of Executive Directors and senior executives of the Company and the Group; and
- iii. Any other such functions as may be delegated by the Board from time to time.

7. **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 shall play a mediator's role to maintain the order of the proceedings in a constructive, productive and effective manner.

7.1 Frequency

The Board should meet regularly, at least 4 times based upon a schedule set on a yearly 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.

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.

7.1 Frequency (Cont'd)

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.

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

7.2 Agenda and Meeting Papers

The notice of a Directors' meeting should be given in writing at least seven (7) days prior to the meeting.

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.

The Financial Controller will inform and remind the relevant head of department to submit their report and/or materials on presentation to the Financial Controller and Company Secretary at least 7 days before the meeting. In the event where the subject matter/agenda item is of price sensitive or otherwise confidential or in a state of flux, the presentation will be made at the meeting.

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. Any Director may request for inclusion of any matter in the agenda for a particular Board meeting. The request must be sent 10 days before the meeting for the Chairman's approval.

7.3 Convening a Board Meeting

The quorum necessary for the transaction of business of the Directors shall be fixed by the Directors from time to time and unless so fixed, the quorum shall comprise two (2) Directors.

7.3 Convening a Board Meeting (Cont'd)

Questions arising at any Board meeting shall be decided by a majority of votes, each Director having one vote and in case of an equality of votes, the Chairman shall have a second or casting vote except when only two Directors are present and form a quorum or only two are competent to vote on the question at issue, the Chairman shall not have a casting vote.

7.4 Minutes

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

7.5 Access to Information and Independent Professional Advice

All Directors (executive and non-executive) have the same right of access to all information pertaining to the Company whether as a full board or in their individual capacity, in furtherance of their duties and responsibilities as Directors of the Company. The Management should supply accurate and complete information to the Board in a timely manner to enable the Board to discharge its duties effectively.

All Directors should have access to the advice and services of the Company Secretary.

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.

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.

8. COMPANY SECRETARY

The appointment or removal of Company Secretary or Secretaries shall be the prerogative of the Board as a whole. The Secretary or Secretaries appointed shall be suitably qualified under the Companies Act 1965 and be competent to provide support to the Board and Committees in carrying out the responsibilities and duties, such as ensuring Board procedures are followed and the applicable rules and regulations are complied with and all matters associated with the Board and Committees are efficiently carried out.

9. INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

9.1 Investor Relations

The Board acknowledges the need for effective investor relation and communication with shareholders and investors and to provide them with all relevant information affecting the Company on a timely manner, and as such adopts an open and transparent policy in respect of its relationship with its shareholders and investors. The Board shall appoint a designated senior management to deal with matters relating to investors relations matters.

Communication is facilitated by a number of formal channels used to inform shareholders about the performance of the Company and the Group. These include the Annual Report and Accounts and announcements made through Bursa Securities, as well as through the Annual General Meeting. Shareholders, investors and analysts are also kept abreast with the major developments of the Company and the Group through the various means of communications as follows:-

- (a) Dialogues with financial analysts from time to time to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests;
- (b) Press conference which is normally held after a General Meeting and the release of a press statement vetted by the Company's appointed senior manager or investor relations officer. All press releases will be vetted by the appointed senior manager or investor relations officer to ensure that information that has yet to be released to Bursa Securities is not released to the press
- (c) Company's website that is updated with corporate information, Company's activities and performance.

9.2 Employees

Employees are invaluable assets of the Company and play a vital role in helping the Company achieves its vision and mission of the Company. The Board endeavors to provide a conducive working environment in their workplace and adopts a comprehensive and documented policies and procedures in Occupational Safety and Health with the objective of ensuring safety and health at the workplace for all employees.

9.3 Other Stakeholders

In the course of pursuing the vision and mission of the Company, the Board recognises that no Company can exist by maximising shareholders value alone. In this regards, the needs and interests of other stakeholders are also taken into consideration.

9.4 Social Responsibility

The Board believes in a balanced, sustainable approach to corporate giving by aligning all efforts and actions with the Company's core values in order to maximise the positive impact on the environment, local communities, education and sport as well as society at large.

10. CODE OF ETHICS AND CONDUCT

The Company's Code of Ethics and Conduct sets put the principles and standards of business ethics and conduct of the Group and this Code of Ethics and Conduct is to be observed by all employees, officers and directors of the Group.

The Board will review the Code of Ethics and Conduct regularly to ensure that it continues to remain relevant and appropriate. The Code of Ethics and Conduct is made available for reference by all employees, officers and directors of the Group in the IRIS intranet.

11. REVIEW OF BOARD CHARTER

The Board Charter will be reviewed periodically and updated in accordance with the needs of the Company and any new regulation that may have an impact on the discharge of the Board's responsibilities.