

# BOARD CHARTER

## 1. Introduction

The Malaysian Code of Corporate Governance (Code) was first issued in March 2000. The Code was a reformation in the corporate governance framework in Malaysia. Later, in order to strengthen the roles and responsibilities of the board of directors, audit committee and the internal audit function, the Code was revised in year 2007 (2007 Code).

In March 2012, since the requirements and expectations on corporate governance continue to evolve, the Malaysian Code of Corporate Governance 2012 (MCCG 2012) was then created whereby it advocates the adoption of standards that go beyond the minimum prescribed by regulation. MCCG 2012 focuses more on strengthening the board structure and its composition in recognizing the role of directors as active and responsible fiduciaries.

Hence, the Board Charter is created to apply the recommendations and good practices of key governance activities to the Company.

IIUM Medical Specialist Centre Sdn. Bhd. ("Company"), is a wholly owned subsidiary of IIUM Holdings Sdn. Bhd. ("IHoldings"). IHoldings, at its 81<sup>st</sup> Board of Directors' meeting, which was held on 19<sup>th</sup> day of April, 2013, had approved their very own Board Charter and following this, its group of companies shall implement their own Board Charter.

## 2. Objectives

The Board Charter ("Charter") sets out the role, composition and responsibilities of the Board of Directors ("the Board") of the Company.

The Charter also outlines the role and responsibilities of the CEO/General Manager, Company Secretary and also the primary committees that are established to assist the Board in its oversight function.

## 3. The Board

### 3.1 **Role**

3.1.1 The Board is charged with leading and managing the Company in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Company. The Directors, collectively and individually, are aware of their responsibilities to the shareholder and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Company's values and standards and ensures that its obligations to the shareholder and stakeholders are understood and met.

3.1.2 The Board understands that the responsibility for good Corporate Governance rests with them and therefore strives to follow the principles and recommendations stated in MCCG 2012.

- 3.1.3 The Board meets in person at least once every quarter to facilitate the discharge of their responsibilities. Members of the Management who are not Directors may be invited to attend and speak at meetings relating to their sphere of responsibilities.
- 3.1.4 Duties of the Board include establishing the corporate vision and mission, as well as the philosophy of the Company and IHoldings Group as a whole, setting the aims of the Management and monitoring the performance of the Management.
- 3.1.5 The Board assumes the following specific duties :
- a) Reviewing and adopting a strategic plan for the Company which is in tandem with IHoldings Group's vision;
  - b) Overseeing the conduct of the Company's businesses;
  - c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
  - d) Overseeing the Human Resource structure; and
  - f) Reviewing the adequacy and the integrity of the management information and internal controls system of the Company.
- 3.1.6 The Board may determine which issues require a decision of the full Board and which issues can be delegated to the Management.
- 3.1.7 The Board reserves full decision-making powers on the following matters :
- a) Conflict of interest issues relating to a Director;
  - b) Material acquisitions and disposition of assets not in an ordinary course of business;
  - c) Investment in Capital projects;
  - d) Authority levels;
  - e) Treasury policies;
  - f) Risk management policies; and
  - g) Key human resource issues.
- 3.1.8 The Board may, collectively or individually, seek independent professional advice in furtherance of their duties at the Company's expense.

### **3.2 Composition and Board Balance**

- 3.2.1 The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.
- 3.2.2 At any one time, at least two (2) or one third (1/3), whichever is higher, of the Board members are Independent Directors.
- 3.2.3 The views of the Management are represented at meetings of the Board by the presence of senior executives when required.
- 3.2.4 The Independent Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations.
- 3.2.5 The Independent Directors help to ensure that the interests of the shareholder, and not only the interests of a particular fraction or group, is indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.
- 3.2.6 The views of the Independent Directors should carry significant weight in the Board's decision-making process. However, the Board decides collectively in all matters that require the Board's decision.
- 3.2.7 If, in any matter discussed at a Board meeting, any Director holds views contrary to those of any of the other Directors, the Board minutes will clearly reflect this.

### **3.3 Appointments**

- 3.3.1 The appointment of a new Director in the Company is a matter for consideration and approval by the full Board upon recommendation from IHoldings.
- 3.3.2 New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of the Company.
- 3.3.3 The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.

- 3.3.4 Upon the appointment of a new Director, the Company Secretary advises the Director of his/her principal duties and responsibilities. Thereafter, all Directors are provided with appropriate briefings on the Company's affairs and up-to-date Corporate Governance materials published by the relevant bodies.
- 3.3.5 An induction programme for the newly appointed Directors will be conducted by the Corporate Services Department of IHoldings. The induction programme aims at communicating to the newly appointed Directors, the Company and Group's vision and mission, its philosophy and nature of business, current issues within the Company, the corporate strategy and the expectations of the Company concerning input from Directors. The Company Secretary is primarily responsible for the induction programme with appropriate assistance from other Directors or senior management.
- 3.3.6 The Company adopted educational/training programmes to update the Board in relation to new developments pertaining to the laws and regulations and changing commercial risks, which may affect the Board and/or the IHoldings Group as a whole.
- 3.3.7 The directorships held by any Board member at any one time shall not exceed ten (10) in listed companies and fifteen (15) in non-listed.

#### **3.4 Re-election**

- 3.4.1 All Directors are subject to retirement by rotation.

#### **3.5 Supply of Information**

- 3.5.1 The Company aims to provide all Directors with timely and quality information and in a form and manner appropriate for them to discharge their duties effectively.
- 3.5.2 The management is responsible for the Board with the required information in an appropriate and timely manner. The Chairman, assisted by the CEO/General Manager and the Company Secretary, assesses the type of information that is required to be provided to the Board. If the information provided by the Management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.
- 3.5.3 A full agenda and comprehensive Board papers are circulated to all Directors well in advance of each Board meeting.

- 3.5.4 *Inter alia*, the Board paper include the following :
- a) Quarterly financial report and report on the Company's cash and borrowing position;
  - b) A current review of the operations of the Company;
  - c) Reports on Related Party Transactions and Recurrent Related Party Transactions; and
  - d) Annual Management Plans.
- 3.5.5 Any approval given by the Chairman or any of the Board members outside the Board meeting or without the consensus of the entire Board must be tabled and presented at the forthcoming Board meeting for ratification by the CEO/General Manager and must be reflected in the Board minutes.
- 3.5.6 Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.

#### **4. Chairman and CEO/General Manager**

The respective roles and responsibilities of the Board and management are clearly set out and understood to ensure the accountability of both parties. As such, the Chairman (i.e Non-Executive Chairman), together with the CEO/General Manager, has developed the descriptions for their respective functions. In addition, the Chairman has also developed and agreed with the CEO/General Manager, the corporate objectives, which include performance targets and long-term goals of the business, to be met by the CEO/General Manager.

##### **4.1 Chairman**

- 4.1.1 The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for :
- a) presiding the Chair at General Meetings and Board meetings;
  - b) supporting the vision of IHoldings Group as a whole, together with its policies, principles, decision making and actions;
  - c) ensuring effective operation of the Board—in conformity with the highest standards of corporate governance;
  - d) engaging the Board in assessing and improving its performance;

- e) ensuring the provision of accurate, timely and clear information to Directors;
- f) ensuring effective communication with the shareholder and relevant stakeholders;
- g) facilitating the effective contribution of Directors by ensuring that they are all involved in discussions and decision-making;
- h) ensuring constructive relations being maintained between the Directors and the CEO/General Manager and maintaining the relationship trust between them; and
- i) supporting the CEO/General Manager in the development of strategy and, more broadly, to support and advise the CEO/General Manager accordingly.

4.1.2 The Chairman, in consultation with the CEO/General Manager and the Company Secretary, sets the Agenda for Board meetings and ensures that all relevant issues are on the agenda.

4.1.3 The Chairman is responsible for managing the business of the Board to ensure that :

- All Directors are properly briefed on issues arising at Board meetings.
- Sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings before hand to enable thorough preparations for the Board's discussion.
- The issues discussed are forward looking and concentrate on strategy.

4.1.4 The Chairman ensures that every Board resolution is put to vote to ensure the will of the majority prevails.

## **4.2 CEO/General Manager**

4.2.1 The CEO/General Manager is the conduit between the Board and the Management in ensuring the success of the Company's governance and management functions. The CEO/General Manager is responsible for :

- a) developing strategy proposals for recommendation to the Board and to ensure that the agreed strategies are reflected in the business and in tandem with the vision of IHoldings Group;

- b) developing annual plans, consistent with the agreed strategies, to be presented to the Board for support;
- c) developing an organizational structure and establish processes and systems to ensure the efficient organization of resources;
- d) to be responsible to the Board for the performance of the business consistent with the agreed plans, strategies and policies;
- e) leading the executive team, including the development of performance contracts and appraisals;
- f) ensuring that the financial results, business strategies and, where appropriate, targets and milestones are communicated to the investment community;
- g) developing and promoting effective communication with the shareholder and other relevant constituencies;
- h) ensuring that the business performance is consistent with the Business Principles;
- i) ensuring that robust management succession and management development plans are in place and presented to the Board from time to time;
- j) developing processes and structure to ensure that the capital investment proposals are reviewed thoroughly, that associated risks are identified and appropriate steps being taken to manage the risks;
- k) developing and maintaining an effective framework of internal controls over risk in relation to all business activities including the Company's trading activities;
- l) ensuring that the flow of information to the Board is accurate, timely, transparent and clear; and
- m) establishing a close relationship of trust with the Chairman, reporting key developments to him, in a timely manner and seeking advice and support as appropriate.

4.2.2 The CEO/General Manager has the executive responsibility for the daily operation of the Company's business. Administrative matters that require the attention of higher authority should be deliberated together with the Group CEO of IHoldings.

4.2.3 The CEO/General Manager implements the policies, strategies and decisions adopted by the Board.

- 4.2.4 All Board authorities conferred on Management is delegated through the CEO/General Manager and this will be considered as the CEO/General Manager's authority and accountability as far as the Board is concerned.

## **5. Board Committees**

The Board of IHoldings had established the following Board Committees with specific terms of reference to assist the Board of IHoldings' in their oversight function :

- Audit Committee ("AC")
- Nomination and Remuneration Committee ("NRC")
- Remedial Grievance and Disciplinary Committee ("RGDC")

The functions and duties of the above Committees will only be imposed onto the Company as and when it is necessary and required by the Committees. The establishments of these Board Committees are not required on the Company level. The composition, functions and duties of the Board Committees can be found on the website of IHoldings at [iiumholdings.com.my](http://iiumholdings.com.my).

## **6. Remuneration Level of CEO/General Manager**

- 6.1 The Company aims to set the remuneration package at levels which are sufficient to attract and retain the CEO/General Manager needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal.
- 6.2 The level of the remuneration package for the CEO/General Manager is determined by Human Resource Committee of Human Resource Department, IHoldings, after giving due consideration to the compensation levels for comparable positions among other similar companies in nature and size.
- 6.3 The CEO/General Manager shall have a service contract with the parent company, IHoldings.
- 6.4 A formal independent review of the CEO/General Manager remuneration by NRC is undertaken annually and to present to the Board upon completion.



## **7. Financial Reporting**

### **7.1 Transparency**

- 7.1.1 The Company aims to present a clear and balanced assessment of the Company's financial position and future prospects and other relevant reports submitted to regulators.
- 7.1.2 The Directors ensure that the financial statements are prepared so as to give a true and fair view of the current financial status of the Company in accordance with the approved accounting standards.
- 7.1.3 The Auditors Report shall contain a statement from the Auditors explaining their responsibility in forming an independent opinion, based on their audit, of the financial statements.

### **7.2 Company External Auditors**

- 7.2.1 The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the External Auditors through AC of IHoldings.
- 7.2.2 The AC also keeps under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the External Auditors. The Company ensures that the External Auditors do not supply a substantial volume of non-audit services to the Company.
- 7.2.3 Appointment of the External Auditors is subject to approval of the shareholder at General Meetings. The External Auditors have to retire during the Annual General Meeting every year and be re-appointed by the shareholder for the ensuing year.

### **7.3 Internal Controls and Risks Management**

- 7.3.1 The Company has a well-resourced internal audit function, which critically reviews all aspects of the Company's activities and its internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis. The Group Internal Audit has direct access to the Board through the Chairman of the AC.
- 7.3.2 The AC ensures the system of internal controls is reviewed on a regular basis.
- 7.3.3 The Board receives reports regarding the outcome of such reviews on a regular basis.

## **8. General Meetings**

### **8.1 Annual General Meeting (“AGM”)**

- 8.1.1 The AGM of the Company to be convened once in every year.
- 8.1.2 The Agenda for the AGM is as follows :
  - a) Consideration of the Accounts, Balance Sheets and the Report of the Directors and Auditors;
  - b) Approval of Directors’ Remuneration (if any);
  - c) Election of the Directors in the place of those retiring; and
  - d) Appointment and fixing of the remuneration of the Auditors

## **9. Investor Relations and Shareholder Communication**

- 9.1 The Board acknowledges the need to maintain timely and effective communications with its shareholder whereby the shareholder should be fully informed about the Company and able to have access to all material business matters affecting the Company and as such adopts an effective, open and transparent policy for communication with the shareholder.
- 9.2 The Board ensures the timely release of financial results on yearly basis to provide the shareholder with an overview of the Company’s performance and operations during the year.
- 9.3 The Company’s website provides easy access to corporate information pertaining to the Company and its activities and is continuously updated.

## **10. Relationship with Other Stakeholders**

A good stakeholder management will support an organization’s strategic objectives by interpreting and influencing both the external and internal environments and by creating positive relationships with stakeholders through appropriate management of their expectations and agreed objectives.

### **10.1 Employees**

- 10.1.1 The Board acknowledges that the employees are invaluable assets of the Group and play a vital role in achieving the vision and mission of the Group as a whole.

## **10.2 Environment**

10.2.1 The Board acknowledges the need for environmental conservation and improvement of the health of the environment by attempting to balance relations between humans and the various natural systems on which they depend in such a way that all the components are accorded to a proper degree of respect.

10.2.2 The Company supports initiatives on environmental issues.

## **10.3 Corporate Social Responsibility**

10.3.1 The Board acknowledges that the Company should create a positive impact to the welfare of the local community while doing business.

10.3.2 The Company must sustain equilibrium between the economy and the ecosystem either through passive action (by avoiding engaging socially harmful acts) or through active actions (by performing activities that directly advance social goals such as supporting charitable causes and initiatives on community development projects).

## **11. Company Secretary**

11.1 The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfills the functions for which he/she has been appointed.

11.2 The Company Secretary is accountable to the Board through the Chairman of the Board and Committees on all governance matters.

11.3 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 Group as a whole.

11.4 The Company Secretary should advise Directors of their obligations to adhere to matters relating to :

- a) disclosure of interest;
- b) disclosure of any conflict of interest in a transaction involving the Company;
- c) restrictions on disclosure of price-sensitive information.

11.5 The Company Secretary must keep abreast of, and inform, the Board of current governance practices.

11.6 The Board members have unlimited access to the professional advice and services of the Company Secretary.

## **12. Application**

- 12.1 The principles set out in this Charter are :
- a) kept under review annually and updated as practices on Corporate Governance develop and further guidelines on Corporate Governance are issued by the relevant regulatory authorities; and
  - b) applied in practice having regard to their spirit and general principles rather than to the letter alone as well as to ensure it remains consistent with the Board's objectives and responsibilities.
- 12.2 The Board endeavours to comply at all times with the principles and practices set out in this Charter.
- 12.3 Any updates to the principles and practices set out in this Charter will be made available on the Company's website at