

**BOARD CHARTER**  
**AUTOMATIC SYSTEMS LTD**  
**24 March 2015**

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# BOARD OF DIRECTORS CHARTER

## 1. Introduction

This Charter is intended to identify the specific responsibilities of the Board of Directors and thereby to enhance coordination and communication between the Board and its committees and the Board and management.

The responsibilities identified here are to be carried out consistently with the company's Constitution, the Companies Act, the Code of Corporate Governance, the company's Code of Ethics and any other legislation or Code applicable to the Company.

This Charter, which includes the Directors Charter, complements the Charters/Terms of Reference of the two committees of the Board (Audit (which includes risk) and Corporate Governance (which includes Nomination and Remuneration) Committee).

## 2. General statements

Management of a Company vests in the Board of Directors.

The Board of Directors represents all shareholders and acts in the interests of the company as a whole. Each Director must consider himself as a representative of all shareholders and must act accordingly.

The function of Director, even though exercised in a collegial manner, involves a heavy burden of individual responsibility due to the statutory responsibilities attached to Board membership.

Directors, even non-Executive or Independent Directors, may be held liable for misconduct in civil or even criminal proceedings. To exonerate himself from liability, a director must go beyond showing that he was unaware of the offence. The Director has to demonstrate that he took all reasonable steps to prevent the commission of the offence.

The Company will ensure that Company Directors, upon their appointment, receive appropriate induction.

The annual report shall categorise directors as per the Code of Good Corporate Governance definitions, as

- Executive Director;
- Non-executive Director; or
- Independent Director

Non-executive directors should consider the number of directorships they should hold in order that they are able to perform efficiently.

## 3. Duties and responsibilities

### **(A)** Responsibilities and Plenary Authority

The major responsibilities of the Board are:

- 1) Compliance: to conform with all legal obligations and requirements;
- 2) Accountability; and
- 3) Performance: to supervise the management of the company so as to foster long-term success of the company consistent with the Board's responsibility to the shareholders to maximise shareholder value.

The Board has plenary power. Any responsibility or duty, whether or not delegated to management or a committee of the Board remains with the Board.

(B) Operations of the Board

Subject to the legal obligations and to the Constitution, the Board retains the responsibility for managing its own affairs, including:

- (i) planning its composition and size;
- (ii) planning the number of meetings to be held;
- (iii) selecting its Chairperson;
- (iv) nominating candidates for election to the Board;
- (v) appointing committee members and Chairman;
- (vi) determining Director remuneration;
- (vii) assessing the effectiveness of the Board, committees and Directors in fulfilling their responsibilities.

(C) Management and Human Resources

The Board has the responsibility to:

- (i) appoint the Managing Director (MD)/Chief Executive Officer (CEO) and assist, wherever necessary, to the MD/CEO in the execution of his duties
- (ii) approve terms of reference for the MD/CEO
- (iii) through the Corporate Governance Committee which shall also act as Nomination and Remuneration Committee:
  - a. evaluate the MD/CEO's performance on a regular basis against objectives;
  - b. satisfy itself as to the integrity of the MD/CEO and other executive officers and satisfy itself that the MD/CEO and other executive officers are creating a culture of integrity throughout the company;
  - c. approve certain decisions relating to senior management, including the:
    - employment, consulting, retirement and severance agreements, and other related agreements proposed for executive officers.
- (iv) Review and consider other directorships for MD/CEO and Senior Managers.
- (v) Ensure that succession planning and management development programs are in place, including:
  - I. approving the succession plan for the MD/CEO;
  - II. for other senior managers, ensuring that plans are in place for management succession and development;
  - III. ensuring that criteria and processes for recognition, promotion, training, development and appointment of senior management are consistent with the future leadership requirements of the company.
- (vi) ensure that the code of professional conduct and ethics is regularly reviewed and updated, if considered necessary.

(D) Strategy and Plans

The Board has the responsibility to:

- (i) participate in the development of, and ultimately approve, the company's strategic plan, taking into account, among other things, the opportunities and risks of the company's business;
- (ii) approve annual capital and operating budgets that support the company's ability to meet its strategic objectives;
- (iii) approve the company's political and other donations policy;
- (iv) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the company;

- (v) approve material disinvestments and acquisitions, if any.

(E) Financial and Corporate Issues

The Board has the responsibility, in addition to company's constitution and legislation in place:

- (i) upon recommendation from its Audit Committee, to:
  - a. take reasonable steps to ensure the integrity and effectiveness of the company's internal control and management information systems, including the evaluation and assessment of information provided by management and others (internal and external auditors, etc) about the integrity and effectiveness of the company's internal control and management information systems;
  - b. review operating and financial performance relative to budgets and objectives
  - c. approve the quarterly results of the Company and notes thereto for publication in the press and on the company's website;
  - d. approve the annual financial statements and notes thereto, management's discussion and analysis of financial condition and results of operations contained in the annual report;
- (ii) approve the annual report;
- (iii) subject to confirmation by the shareholders of the company at each annual meeting, appoint external auditors for the company and approve the auditor's fees for audit services;
- (iv) approve banking resolutions and significant changes in banking relationships and signatories;
- (v) approve or recommend to the shareholders where so required by the legislation in place to approve:
  - a. the appointments of, or material changes in relationships with legal and other advisers ;
  - b. significant contracts, transactions, and other arrangements or commitments that may be expected to have a material impact on the company; and
  - c. the commencement or settlement of litigation that may be expected to have a material impact on the company.

(F) Business and Risk Management

The Board has the responsibility (on certain risk and financial issues, upon recommendation from the Audit Committee) to :

- (i) ensure that management identifies the principal risks of the company's business and implements appropriate systems to manage these risks;
- (ii) review coverage, deductibles and key issues regarding corporate insurance policies;
- (iii) receive, at least annually, reports from management on matters relating to, among others, ethical conduct, environmental management, and employees' health and safety;
- (iv) understand the principal risks associated with the company's business and review whether the company achieves a proper balance between risks and returns.

(G) Policies and procedures

The Board has the responsibility, upon recommendation from its Corporate Governance Committee, which also includes the Nomination and Remuneration committee to:

- (i) develop the company's approach to corporate governance;

- (ii) review compliance with the significant policies and procedures by which the company is operated;
- (iii) direct management to ensure that the company operates at all times within applicable laws and regulations;
- (iv) review significant new corporate policies or material amendments to existing policies;
- (v) review and approve the salary and bonus of the CEO, MD and Senior Managers;
- (vi) review the board composition.

#### (H) Compliance Reporting and Corporate Communications

The Board has the responsibility to:

- (i) approve the content of the company's communications to shareholders and the public;
- (ii) timely and fairly report to shareholders and the public through publications, annual report or other fora, where necessary, conformably to applicable legislations;
- (iii) encourage interaction with shareholders on all items requiring shareholder approval;
- (iv) report annually to shareholders on the Board's stewardship for the preceding year (annual report).

#### **4. Outside Consultants or Advisors**

At the company's expense, the Board may retain, when it considers it necessary or desirable, outside consultants or advisors to advise the Board independently on any matter.

The Board shall have the sole authority to retain and terminate any such consultants or advisors, including sole authority to review a consultant's or advisor's fees and other retention terms.

#### **5. Review of Board Charter**

The Board shall assess the adequacy of this Charter every five years or at such other period as is necessary and shall make any changes deemed necessary or appropriate.

#### **6. Non-exhaustive List**

The foregoing list of duties is not exhaustive, and the Board may, in addition, perform such other functions as may be necessary or appropriate in the circumstances for the performance of its responsibilities.

#### **7. Directors' charter**

Directors shall take cognisance of the Directors' charter (Annex A)

#### **8. Working arrangements**

##### Fundamental concepts

- Each director should receive the same information at the same time, and
- Each director should be given sufficient time to consider any such information.

#### Period in-between Board meetings

- The Board must identify matters which require the prior approval of the Board and lay down procedures to be followed when, exceptionally, a decision is required before its next meeting

#### Materiality and nature of transactions

- All material contracts, and especially those not in the ordinary course of business, should be referred to the Board for decision prior to the commitment of the company
- Where there is uncertainty regarding the materiality or nature of a contract, it should normally be assumed that the contract should be brought before the Board

#### Meetings

- The Board of Directors shall meet at least 3 times annually;
- Notices can be addressed by letter, facsimile, electronic mail or verbally;
- Meetings may be held by videoconference or by electronic telecommunication or teletransmission subject to the provisions and conditions set by the laws and regulations in place;
- A Registry of attendance is kept at the head office;
- The Company Secretary shall be responsible to the Chairman for the proper administration of the meeting of the company, the board and any committees thereof.

#### Agenda

- Decisions regarding the agenda and concerning the presentation of the agenda items shall be taken by the Chairman and the MD/CEO in consultation with the Company Secretary.

### Minutes

- The minutes of meetings shall record the decisions taken and provide sufficient background to those decisions. All papers presented at the meeting shall be clearly identified in the minutes and retained for reference. Procedures for the approval and circulation of minutes shall be established
- The minutes of the previous board meeting shall be circulated to Board members prior to the next meeting where these minutes shall be proposed for adoption.
- The Secretary of the Board is empowered to certify copies or extracts of minutes of meetings
- The minutes shall be presented for approval at the following board meeting, unless exceptional circumstances, and shall be signed by the Chairman of the meeting where the minutes are approved and by the Secretary.

## **9. Others**

### **PUBLICATION OF FINANCIAL INFORMATION**

Financial information whether for internal use or for the benefit of investors, must always be accurate, precise and honest. It must also be in full compliance with listing rules, laws and other regulations.

The Board must have access to all information (commercial, financial, legal and so forth) necessary to make informed decisions.

### **DISCLOSING INFORMATION TO FINANCIAL MARKETS**

Shareholder information is one of the primary obligations of all listed companies.

#### **Steady stream of information**

The public must be kept informed at all times of all events occurring in the life of the company that are likely to have an impact on its share price. Information is disclosed as soon as its confidentiality ceases to be imperative or if there appears to be any risk of its confidential status being exploited.

Listed companies must ensure that disclosed information does not benefit any limited category of people.

#### **Market information on changes in the capital structure of listed companies**

##### *Crossing ownership thresholds*

The information must provide a precise and accurate picture of the breakdown of ownership and voting rights. Companies must monitor compliance with the formal requirements generally established by market authorities.

##### *Shareholder agreements*

Listed companies must comply with local rules and regulations concerning information on shareholder agreements.

#### **Periodic information**

Periodic information is published at fixed intervals which are pre-defined by legislation or regulation (quarterly accounts, interim results, annual financial statements).

#### **Specific information**

Specific information is essentially information pertaining to financial transactions occurring at a particular point in time. Stock Exchange authorities and the Financial Services Commission will determine whether this information be made public.

Approved at a meeting of the Board of Directors of the Company held on 24/03/2015

Chairman of meeting

Secretary of meeting