

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of SMRT Holdings Berhad ("SMRT" or "Company") is committed to maintain a high standard of corporate governance in conducting the affairs and business of SMRT and its subsidiaries ("Group"). This is to ensure that the interests of shareholders and other stakeholders are protected and that shareholders' value continues to be enhanced. The Board is pleased to present the Group's application of the principles set out below in accordance to the Malaysian Code on Corporate Governance ("MCCG") :

Principle A : Board Leadership and Effectiveness;

Principle B : Effective Audit and Risk Management; and

Principle C : Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This Corporate Governance Overview Statement should be read together with the Corporate Governance Report ("CG Report") 2017 which is available on the Company's website at [www.smrhub.com](http://www.smrhub.com). The CG Report provides details on how the Company has applied each Practice as set out in the MCCG during the financial year 2017.

## PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

The Board is committed to ensure that the interest of shareholders and other stakeholders are protected and that shareholders' value continues to be enhanced. The Board is responsible for the long-term performance of the Group and for overseeing the Group's strategy and monitoring its operation. It also ensures the implementation of appropriate risk management and internal control systems, including financial, operational and compliance with the relevant laws and regulations to safeguard shareholders' interests and the Group's assets.

Tan Sri Dato' Dr R Palan is the Executive Chairman of the Company. The Board believes that the arrangement to maintain his role as Executive Chairman of the Group is in the best interest of the Group for the time being. As one of the pioneer members of the Group, the Chairman is able to provide effective leadership to the Board and guide the vision, strategic direction and business development of the Group and at the same time, be guided by independent advice and views from the Independent Directors, who offer the necessary checks and balances in the decision making process of the Board.

The Chief Executive Officer ("CEO"), Dato' Hj Abd Rashid Bin Hj Mohd Sharif, is not a Director of the Company. He is responsible for the day-to-day management of the business and operations of the Group and is ably supported by a Management team and other committees established under the Group's management framework.

The Company has two (2) joint Company Secretaries, both of whom have legal qualifications and are qualified to act as company secretary under the Companies Act 2016. The Company Secretaries provide advisory services to the Board, particularly on corporate governance issues and compliance with the relevant policies and procedures, laws and regulatory requirements, in addition to administrative matters. The Board members have full access to the Company Secretaries.

The Board recognises the importance of information supply in promoting informed Board discussions and deliberations. The Chairman, together with Management and the Company Secretaries, are responsible for ensuring Directors receive adequate and timely information prior to Board or Board Committee meetings.

The Board is guided by its Board Charter which clearly sets out the Board's roles, duties, responsibilities and authorities in discharging its fiduciary and leadership functions. The Board Charter is reviewed periodically and updated in accordance with the needs of the Group to ensure its effectiveness and consistency with the Board's objectives and corporate vision. The Board Charter is available on the Company's website at [www.smrhub.com](http://www.smrhub.com) and serves as a primary reference point on governance matters for Directors as well as newly appointed Directors.

The Company has put in place a Code of Ethics for Directors ("Code") which sets out the principles and business ethics of the Group. The Code is formulated to enhance the standard of corporate governance and corporate behaviour. The Code is reviewed by the Board in accordance with the needs of the Group and is available on the Company's website at [www.smrhub.com](http://www.smrhub.com).

The Whistle Blowing Policy provides an avenue for employees or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, loss or damage or any other retaliatory actions by the Group. The Whistle Blowing Policy is reviewed by the Board in accordance with the needs of the Group and is available on the Company's website at [www.smrhub.com](http://www.smrhub.com).

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The Board has formalised and adopted a Sustainability Policy that sets out the manner in which the Group carries on its business, which is undertaken in a responsible, trustworthy and ethical manner while accepting accountability for impact on the environment, social and governance front. The Company upholds the implementation of effective governance and control to improve operational performances towards creating economic sustainability.

All the Directors have completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities"). The appointment of Ms Soh Eng Hooi as Independent Non-Executive Director of the Company took effect on 27<sup>th</sup> November 2017 and she had attended the MAP on 12<sup>th</sup> and 13<sup>th</sup> March 2018. Directors are encouraged to attend continuous education programmes and seminars to keep abreast of relevant changes in laws and regulations and the development of the industry. During the financial year ended 31<sup>st</sup> December 2017, the Directors attended the following training programmes:

Name of Director	Course
Tan Sri Dato' Dr R Palan	<ul style="list-style-type: none"> <li>The Asia HRD Congress 2017</li> <li>MABC Networking Evening &amp; Talk</li> <li>Malaysian Code on Corporate Governance 2017 &amp; Sustainability Reporting Seminar</li> </ul>
Dato' (Dr) Asariah Binti Mior Shahrudin	<ul style="list-style-type: none"> <li>Sustainability Forum for Directors / CEOs : " The Velocity Global Change &amp; Sustainability – The New Business Model"</li> <li>What Are Universities Actually For?</li> <li>The Asia HRD Congress 2017</li> <li>CG Breakfast Series : Integrating An Innovation Mindset with Effective Governance</li> </ul>
Mr Leow Nan Chye	<ul style="list-style-type: none"> <li>Sustainability Forum for Directors / CEOs : " The Velocity Global Change &amp; Sustainability – The New Business Model"</li> <li>The Asia HRD Congress 2017</li> </ul>
Mr Malayandi @ Kalaiarasu	<ul style="list-style-type: none"> <li>Together Gather A. MOHE</li> <li>Annual International Homeopathy</li> <li>Educational Scholarship</li> <li>Understanding and Implementing ISO 9001:2015 QMS</li> <li>Indo Malaysia Conference</li> <li>1st Malaysia International Integrative Healthcare (MIIHC)</li> <li>Senior Leadership Programmes</li> </ul>
Ms Soh Eng Hooi	<ul style="list-style-type: none"> <li>Seminar On "Companies Act 2016"</li> <li>The Companies Act 2016: An Overview and its Significant Impact on Auditors</li> <li>MFRS 15, Revenue from Contracts with Customers &amp; MFRS 16, Leases</li> <li>Big Data Analytics Towards A Data Driven Organisation</li> <li>Capital Market Conference 2017</li> <li>Practical Issues under the Companies Act 2016</li> </ul>

## II. BOARD COMPOSITION

The Board comprises five (5) Directors i.e. three (3) Independent Non-Executive Directors, one (1) Executive Director and one (1) Executive Chairman. The members of the Board are as follows :

Name of Director	Directorship
Tan Sri Dato' Dr R Palan	Executive Chairman
Mr Malayandi @ Kalaiarasu	Executive Director
Mr Leow Nan Chye	Senior Independent Non-Executive Director
Dato' (Dr) Asariah Binti Mior Shahrudin	Independent Non-Executive Director
Ms Soh Eng Hooi (Appointed on 27 <sup>th</sup> November 2017)	Independent Non-Executive Director
Allahyarham Tuan Haji Ishak Bin Hashim (Passed away on 8 <sup>th</sup> January 2018)	Independent Non-Executive Director

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All Independent Non-Executive Directors are independent of management and have no family or business relationships with the Executive Directors and major shareholders which would interfere with the exercise of their independent judgment. All the three (3) Independent Non-Executive Directors satisfy the independence test under the ACE Market Listing Requirements ("AMLR") of Bursa Securities. They constitute 60% of the Board. The presence of the Senior Independent Director provides an additional channel for Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to raise in open forum.

The Board reviews the composition of the Board from time to time and considers new appointment(s) when the need arises. The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at leadership and employee level. The Nomination Committee is responsible for assessing and making recommendations to the Board on the candidature of Directors. The Nomination Committee has assessed the Board composition and is satisfied that the current size and composition of Directors is adequate and provides a balanced mix of skills and experience, as well as the objectivity required in the boardroom.

According to the Company's Articles of Association, any Director appointed during the year shall retire at the Company's Annual General Meeting ("AGM") following his appointment and one-third of the Board who do not retire as aforesaid, will retire by rotation at every AGM. The Articles of Association further provide for every Director to retire once in every three (3) calendar years and all retiring Directors be eligible for re-election. The Directors seeking re-election at the forthcoming AGM are set out on the Statement Accompanying Notice of AGM on page 150 of this Annual Report.

Appointments of new Directors are undertaken by the Board as a whole after considering the recommendations of the Nomination Committee. In searching for suitable candidates, the Nomination Committee may receive suggestions from existing Board Members, Management and major shareholders. The Nomination Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.

The Executive Chairman and the Executive Director are responsible for the identification, development and succession planning of key Senior Management. The Executive Chairman and Executive Director search for suitable candidates through established recruitment channels, recommendations or direct approaches to individuals who may be suitable.

The Board acknowledges the importance of gender diversity for balanced and effective functioning of the Board. At present, the Company has three (3) male Directors and two (2) female Directors. Women Directors constitute 40% of the Board which is in line with the call by the Government and the MCCG for greater gender diversity on boards. The Board is mindful that any gender representation should be in the best interest of the Company.

The Board met four (4) times during the financial year ended 31<sup>st</sup> December 2017. Details of the Directors' attendance are as follows :

Name of Director	Attendance
Tan Sri Dato' Dr R Palan	4/4
Mr Malayandi @ Kalaiarasu	4/4
Mr Leow Nan Chye	4/4
Dato' (Dr) Asariah Binti Mior Shahrudin	4/4
Ms Soh Eng Hooi (Appointed on 27 <sup>th</sup> November 2017)	1/1
Allahyarham Tuan Haji Ishak Bin Hashim (Passed away on 8 <sup>th</sup> January 2018)	2/4

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The Nomination Committee consists of not less than three (3) members. All the members shall be Non-Executive Directors, the majority of whom are independent. The members of the Nomination Committee are as follows :

Name of Nomination Committee Member	Position
Dato' (Dr) Asariah Binti Mior Shaharuddin (Redesignated as Chairperson on 10 <sup>th</sup> January 2018)	Chairperson
Mr Leow Nan Chye	Member
Ms Soh Eng Hooi (Appointed as Member on 10 <sup>th</sup> January 2018)	Member
Allahyarham Tuan Haji Ishak Bin Hashim (Passed away on 8 <sup>th</sup> January 2018)	Former Chairman

The Nomination Committee is responsible for the Board evaluation process covering the Board, the Board Committees and individual Directors (including Independent Directors). The Nomination Committee, upon conclusion of the evaluation exercise performed for the year 2017, was satisfied that the composition of the Board and its Board Committees, had fulfilled the criteria under the definition of Independent Director as defined in the AMLR of Bursa Securities, as well as possesses a right blend of knowledge, expertise and experience and the appropriate mix of skills. In addition, there was mutual respect amongst individual Directors which contributed to a healthy environment for constructive deliberation and robust decision-making process. Independent Directors were assessed to be objective in exercising their judgment.

The Nomination Committee met once during the financial year ended 31<sup>st</sup> December 2017. The details of the members' attendance are as follows :

Name of Nomination Committee Member	Attendance
Dato' (Dr) Asariah Binti Mior Shaharuddin (Redesignated as Chairperson on 10 <sup>th</sup> January 2018)	1/1
Mr Leow Nan Chye	1/1
Ms Soh Eng Hooi (Appointed as Member on 10 <sup>th</sup> January 2018)	0/0
Allahyarham Tuan Haji Ishak Bin Hashim (Passed away on 8 <sup>th</sup> January 2018)	1/1

The Terms of Reference of the Nomination Committee is reviewed by the Board in accordance with the needs of the Group and is available on the Company's website at [www.smrhub.com](http://www.smrhub.com).

### III. REMUNERATION

The Remuneration Committee consists of not less than three (3) members and comprises wholly of Non-Executive Directors. The members of the Remuneration Committee are as follows :

Name of Remuneration Committee Member	Position
Dato' (Dr) Asariah Binti Mior Shaharuddin (Redesignated as Chairperson on 10 <sup>th</sup> January 2018)	Chairperson
Mr Leow Nan Chye	Member
Ms Soh Eng Hooi (Appointed as Member on 10 <sup>th</sup> January 2018)	Member
Mr Malayandi @ Kalaiarasu (Resigned as Member on 10 <sup>th</sup> January 2018)	Former Member
Allahyarham Tuan Haji Ishak Bin Hashim (Passed away on 8 <sup>th</sup> January 2018)	Former Chairman

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The Company does not have formalised remuneration policies and procedures for Directors and Senior Management. The responsibilities of the Remuneration Committee include reviewing the remuneration packages and other benefits applicable to Board and Senior Management and making the appropriate recommendations to the Board. The fees of the Non-Executive Directors and any benefits payable to them shall be determined by the shareholders at the AGM.

The Remuneration Committee met once during the financial year ended 31<sup>st</sup> December 2017. The details of the members' attendance are as follows :

Name of Remuneration Committee Member	Attendance
Dato' (Dr) Asariah Binti Mior Shaharuddin (Redesignated as Chairperson on 10 <sup>th</sup> January 2018)	0/0
Mr Leow Nan Chye	1/1
Ms Soh Eng Hooi (Appointed as Member on 10 <sup>th</sup> January 2018)	0/0
Mr Malayandi @ Kalaierasu (Resigned as Member on 10 <sup>th</sup> January 2018)	1/1
Allahyarham Tuan Haji Ishak Bin Hashim (Passed away on 8 <sup>th</sup> January 2018)	1/1

The Terms of Reference of the Remuneration Committee is accessible for reference on the Group's website at [www.smrhub.com](http://www.smrhub.com).

The determination of the remuneration of the Executive Directors and Non-Executive Directors is a matter decided by the Board as a whole with the Director concerned abstaining from participating in decisions in respect of his individual remuneration.

The details of the Directors' remuneration for the financial year ended 31<sup>st</sup> December 2017 for Company and Group level were as follows :

## COMPANY :

### Non-Executive Directors (RM'000)

No.	Name	Directors' Fee	Meeting Allowance	Total
1.	Mr Leow Nan Chye (Senior Independent Non-Executive Director)	48	7	55
2.	Dato' (Dr) Asariah Binti Mior Shaharuddin (Independent Non-Executive Director)	48	5	53
3.	Ms Soh Eng Hooi (Independent Non-Executive Director) (Appointed on 27 <sup>th</sup> November 2017)	3	1	4
4.	Allahyarham Tuan Haji Ishak Bin Hashim (Independent Non-Executive Director) (Passed away on 8 <sup>th</sup> January 2018)	48	4	52

### Executive Chairman/Executive Director (RM'000)

No.	Name	Salary & Allowance	Employee Provident Fund & Socso	Meeting Allowance	Total
1.	Tan Sri Dato' Dr R Palan (Executive Chairman)	12	2	9	23
2.	Mr Malayandi @ Kalaierasu (Executive Director)	12	2	3	17

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## GROUP :

### Non-Executive Directors (RM'000)

No.	Name	Directors' Fee	Meeting Allowance	Total
1.	Mr Leow Nan Chye (Senior Independent Non-Executive Director)	48	7	55
2.	Dato' (Dr) Asariah Binti Mior Shaharuddin (Independent Non-Executive Director)	48	5	53
3.	Ms Soh Eng Hooi (Independent Non-Executive Director) (Appointed on 27 <sup>th</sup> November 2017)	3	1	4
4.	Allahyarham Tuan Haji Ishak Bin Hashim (Independent Non-Executive Director) (Passed away on 8 <sup>th</sup> January 2018)	48	4	52

### Executive Chairman/Executive Director (RM'000)

No.	Name	Salary & Allowance	Employee Provident Fund & Socso	Meeting Allowance	Total
1.	Tan Sri Dato' Dr R Palan (Executive Chairman)	1,241	150	9	1,400
2.	Mr Malayandi @ Kalaiarasu (Executive Director)	435	54	3	492

The details of the Senior Management's remuneration for the financial year ended 31<sup>st</sup> December 2017 were not disclosed as the Board is of the opinion that the disclosure would not be in the best interest of the Group due to confidentiality concerns.

## PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC")

The ARMC comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the ARMC are as follows :

Name of ARMC Member	Position
Mr Leow Nan Chye (Senior Independent Non-Executive Director)	Chairman
Dato' (Dr) Asariah Binti Mior Shaharuddin (Independent Non-Executive Director)	Member
Ms Soh Eng Hooi (Independent Non-Executive Director) (Appointed as Member on 27 <sup>th</sup> November 2017)	Member
Allahyarham Tuan Haji Ishak Bin Hashim (Independent Non-Executive Director) (Passed away on 8 <sup>th</sup> January 2018)	Former Member

The Chairman of the ARMC is not the Chairman of the Board. The ARMC is chaired by the Senior Independent Non-Executive Director, Mr Leow Nan Chye. The composition of the ARMC is reviewed by the Nomination Committee annually with any recommendations made to the Board for approval. With the view to maintain an independent and effective ARMC, the Nomination Committee ensures that only an Independent Non-Executive Director who is financially literate and possesses the appropriate level of expertise and experience, would be considered for membership on ARMC. To safeguard the independence and objectivity of the audit process, the ARMC has incorporated a policy

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specification which requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC. Such practice was incorporated in the Terms of Reference of the ARMC which is accessible for reference on the Group's website at [www.smrhub.com](http://www.smrhub.com).

The ARMC met four (4) times during the financial year ended 31<sup>st</sup> December 2017. Details of the number of meetings attended by each member are as follows :

Name of ARMC Member	Attendance
Mr Leow Nan Chye <i>(Senior Independent Non-Executive Director)</i>	4/4
Dato' (Dr) Asariah Binti Mior Shaharuddin <i>(Independent Non-Executive Director)</i>	4/4
Ms Soh Eng Hooi <i>(Independent Non-Executive Director)</i> <i>(Appointed as Member on 27<sup>th</sup> November 2017)</i>	1/1
Allahyarham Tuan Haji Ishak Bin Hashim <i>(Independent Non-Executive Director)</i> <i>(Passed away on 8<sup>th</sup> January 2018)</i>	2/4

## II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges its overall responsibility in maintaining a sound and effective system of risk management and internal control to safeguard shareholders' investment and the Group's assets, as well as reviewing the adequacy and effectiveness of these systems to support the Group's strategy and operations to achieve its business objectives.

The risk management process is executed by the Senior Management and the Executive Directors to ensure the effectiveness of the Group's risk management and internal control practices. The progress of the risk management process is periodically updated to the ARMC. The ARMC reviews the process regularly and enhances it as and when needed to ensure sustainability.

The Group has outsourced its internal audit function to an independent internal audit firm as part of its strategy to assure the Board of the adequacy and effectiveness of the internal control system of the Group. The professional firm conducts internal audits to review the adequacy and effectiveness of the internal control system and to identify areas of risks and report their findings and recommendations to the Management and subsequently to the ARMC.

The details of the Group's Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control, which is on pages 38 to 41 of the Company's Annual Report.

## PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. COMMUNICATION WITH STAKEHOLDERS

The Board is fully committed in maintaining a high standard of accountability to shareholders for the dissemination of relevant information on the development of the Group. As such, the Board endeavours to provide timely and accurate disclosure of all material information of the Group to shareholders and investors.

The Board is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Group at the end of the financial year. In preparing the financial statements, the Board ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016 have been applied.

The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through the Annual Report, announcements to Bursa Securities, media releases, quarterly results, AGM and the Group website at [www.smrhub.com](http://www.smrhub.com).



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## II. CONDUCT OF GENERAL MEETINGS

The Company is of the view that AGM is an important platform to engage with its shareholders as well as to address their concerns. To ensure effective participation of, and engagement with, shareholders at the Thirteenth AGM of the Company held on 25 May 2017, all members of the Board were present at the meeting to respond to the questions raised by the shareholders or proxies. The Chairman of the Board chaired the Thirteenth AGM in an orderly manner and allowed the shareholders or proxies to speak at the meeting. The Chairman of the Board Committees and Senior Management were also present to respond to any enquiries from the shareholders.

The voting at the Thirteenth AGM was conducted by way of manual polling. The Company continues to explore the leveraging of technology to enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

This Corporate Governance Overview Statement was approved by the Board on 26<sup>th</sup> April 2018.