

# Board Charter



## SMEC Holdings Pty Limited Board Charter

<b>Purpose</b>	<p>The purpose of this charter is to:</p> <ul style="list-style-type: none"> <li>• promote high standards of corporate governance</li> <li>• clarify the role and responsibilities of the board</li> <li>• enable the board to provide strategic guidance for the Group and effective management oversight</li> </ul>
<b>Scope</b>	<p>This procedure covers the following:</p> <ul style="list-style-type: none"> <li>• Introduction</li> <li>• Board size, composition and independence</li> <li>• The Board’s role and responsibilities</li> <li>• Board Committees</li> <li>• Audit and Risk Committee</li> <li>• Remuneration and Nomination Committee</li> <li>• Finance Delegation</li> <li>• Chairman of the Board</li> <li>• Managing Director and Executive Committee</li> <li>• Directors</li> <li>• Conflicts</li> <li>• Access to Information and independent advice by Directors</li> <li>• Codes of Conduct and Business Integrity</li> <li>• Communication of Information</li> </ul>
<b>Task</b>	<b>Requirements</b>
<b>Introduction</b>	<p>SMEC Holdings Pty Limited (Company) is a public unlisted company.</p> <p>The board is responsible for the corporate governance of the Company and its controlled entities (Group).</p> <p>The purpose of this charter is to:</p> <ol style="list-style-type: none"> <li>(a) promote high standards of corporate governance;</li> <li>(b) clarify the role and responsibilities of the board; and</li> <li>(c) enable the board to provide strategic guidance for the Group and effective management oversight.</li> </ol> <p>This charter is supported by the Group's corporate code of conduct, business integrity policy and the code of conduct for directors and senior executives, and the terms of reference for the Executive Committee, the Remuneration and Nominations Committee and the Audit and Risk Committee.</p>
<b>Board size, composition and independence</b>	<p>Unless otherwise agreed by the shareholders, there must be a minimum of 1 director and a maximum of 12 directors.</p> <p>The board must comprise:</p> <ol style="list-style-type: none"> <li>(a) directors with an appropriate range of skills, experience and expertise</li> </ol>

	<ul style="list-style-type: none"> <li>(b) directors who can understand and competently deal with current and emerging business issues</li> <li>(c) directors who can effectively review and challenge the performance of management and exercise independent judgment</li> </ul> <p>An independent non-executive director is one who:</p> <ul style="list-style-type: none"> <li>(a) is independent of management</li> <li>(b) free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment</li> <li>(c) otherwise meets the criteria for independence set out in the Principles of Good Corporate Governance and Best Practice Recommendations published by the ASX Corporate Governance Council</li> </ul> <p>The Remuneration and Nomination Committee is responsible for recommending candidates for appointment to the board.</p> <p>Each non-executive director is appointed by a formal letter of appointment setting out the key terms and conditions of their appointment to ensure that each director clearly understands the Company's expectations of him or her.</p>
<p><b>The Board's role and responsibilities</b></p>	<p>Given that the Company is part of the Surbana Jurong Group, each Director is authorised to act in the best interests of any holding company of the Company, including its ultimate holding company (refer to section 62.3 of the company constitution).</p> <p>Subject to section 62.3 of the company constitution, the board acts in the best interests of the Company as a whole and is accountable to shareholders for the overall direction, management and corporate governance of the Group.</p> <p>The board is responsible for:</p> <ul style="list-style-type: none"> <li>(a) overseeing the Group, including its control and accountability systems;</li> <li>(b) appointing and removing the Managing Director</li> <li>(c) monitoring the performance of the Managing Director</li> <li>(d) appointing and removing the company secretary</li> <li>(e) ratifying material organisational changes to management or personnel</li> <li>(f) approving any amendment to the SMEC Group company structure</li> <li>(g) approving senior management remuneration policies and practices</li> <li>(h) ensuring the Board has appropriate succession plans in place for Non-Executive Directors</li> <li>(i) Ensuring the Managing Director has appropriate succession plans in place for SMEC's senior executive team and management</li> <li>(j) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available</li> <li>(k) reporting to shareholders</li> <li>(l) providing strategic advice to management</li> <li>(m) approving management's corporate strategy and performance objectives</li> </ul>

	<ul style="list-style-type: none"> <li>(n) determining and financing dividend payments</li> <li>(o) approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures</li> <li>(p) approving and monitoring financial and other reporting</li> <li>(q) reviewing and approving systems of risk management, internal compliance and control, and legal compliance to ensure appropriate compliance frameworks and controls are in place</li> <li>(r) review and approve internal audit policies and procedures, oversee and guide the internal audit program, receive and review internal audit reports and discuss matters directly with the internal auditor (if required)</li> <li>(s) reviewing and overseeing the implementation of the Group's corporate code of conduct and code of conduct for directors and senior executives</li> <li>(t) approving terms of reference of board committees</li> <li>(u) monitoring and ensuring compliance with legal and regulatory requirements and ethical standards and policies</li> <li>(v) monitoring and ensuring compliance with best practice corporate governance requirements</li> </ul>
<b>Board Committees</b>	<p>The board has established the following committees to assist it in carrying out its responsibilities, to share detailed work and to consider certain issues and functions in detail:</p> <ul style="list-style-type: none"> <li>(a) Audit and Risk Committee</li> <li>(b) Remuneration and Nomination Committee</li> </ul> <p>The terms of reference of each board committee setting out matters relevant to the composition, responsibilities and administration of the committee must be approved by the board. Each committee will review its terms of reference from time to time as appropriate.</p>
<b>Audit and Risk Committee</b>	<p>The objective of the Audit and Risk Committee is to:</p> <ul style="list-style-type: none"> <li>(a) help the board fulfil its responsibilities in relation to:           <ul style="list-style-type: none"> <li>(i) financial reporting</li> <li>(ii) the application of accounting policies</li> <li>(iii) business policies and practices</li> <li>(iv) legal and regulatory compliance</li> <li>(v) internal risk control and management systems</li> </ul> </li> <li>(b) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis)</li> <li>(c) promote a culture of compliance</li> <li>(d) encourage and promote communications between the board and the senior compliance manager</li> </ul>

	<ul style="list-style-type: none"> <li>(e) provide a forum for communication between the board and senior financial and compliance management</li> <li>(f) maintain and improve the effectiveness of the internal and external group audit functions and communication between the board and the external and internal auditors</li> <li>(g) maintain and improve the effectiveness of compliance strategies and compliance function</li> </ul> <p>The Committee shall:</p> <ul style="list-style-type: none"> <li>(a) Be chaired by an independent chair who is not the Chair of the Board</li> <li>(b) Have at least three members</li> </ul> <p>At least one member of the Committee shall be a qualified accountant or other finance professional with experience of financial and accounting matters.</p> <p>The Committee members and the Chair shall be appointed by the Board.</p>
<b>Remuneration and Nomination Committee</b>	<p>The role of the Committee is to assist the Board in:</p> <ul style="list-style-type: none"> <li>(a) establishing a Board with an effective composition, diversity, size and commitment to adequately discharge its duties and responsibilities to the company, shareholders and other stakeholders (Nominations Role)</li> <li>(b) securing, motivating and retaining a highly skilled and diverse group of directors and senior executives to ensure the long-term success of the Company and create value for shareholders (Remuneration Role)</li> <li>(c) remunerating its directors and senior executives fairly and responsibly, having regard to the performance of the Company, the performance of the directors and senior executives and the general remuneration environment (Remuneration Role)</li> <li>(d) implementing policies and practices that secure, motivate and retain a highly skilled and diverse group of employees at all levels of the Company (Remuneration Role)</li> </ul> <p>The composition of the Remuneration and Nominations Committee is determined in accordance with the following principles:</p> <ul style="list-style-type: none"> <li>(a) the members and the Chair are appointed by the Board</li> <li>(b) there must be at least three members</li> <li>(c) a majority of members must be independent Non-Executive Directors</li> </ul> <p>In achieving its Nominations Role, the Committee seeks to ensure that:</p> <ul style="list-style-type: none"> <li>(a) individual Directors, the Board and Board Committees possess an appropriate level of skill, expertise and independence</li> <li>(b) the performance of individual Directors, the Board and its sub-committees is monitored and assessed on a regular basis</li> <li>(c) the Board has implemented appropriate succession plans for itself and the Company's Senior Executive team</li> <li>(d) the Board has appropriate Director induction, access to information and education policies and practices in place</li> </ul>

	<p>(e) the Board implements strategies on diversity</p> <p>In achieving its Remuneration Role, the Committee:</p> <ul style="list-style-type: none"> <li>(a) reviews and makes recommendations to the Board in relation to the performance and remuneration of the Company's non-executive directors and executive directors</li> <li>(b) approves the annual performance measures and remuneration packages of Executive Committee members</li> <li>(c) reviews and makes recommendations to the Board concerning the appropriateness of the Company's remuneration policies and practices</li> </ul>
<p><b>Finance Delegation</b></p>	<p>On 15 March 2011, the Board delegated authority to the Chair of the Audit Committee, MD and GFD (acting together) to consider and approve hedging transactions (including the use of derivatives, futures and forward contracts) on behalf of the Board in relation to:</p> <ul style="list-style-type: none"> <li>(a) The Company's interest rate and foreign exchange exposures;</li> <li>(b) Assessing the capital, cash flow and earnings at risks.</li> </ul> <p>In considering and approving matters relating to financial hedging the delegates should have regard to (not exclusively):</p> <ul style="list-style-type: none"> <li>(a) Recommendations or advice received from the Treasury Manager of the Company</li> <li>(b) Professional advice received from other external sources</li> <li>(c) Hedging practices in comparable companies or industries</li> <li>(d) Best practice corporate treasury guidelines</li> <li>(e) Any trend that is likely to have an impact on the Company's financial position</li> <li>(f) The company's strategic objectives outlined in the strategic plan</li> <li>(g) Bank Covenant</li> </ul>
<p><b>Chairman of the Board</b></p>	<p>The chairman of the board:</p> <ul style="list-style-type: none"> <li>(a) is appointed by the directors</li> <li>(b) must be a non-executive director</li> <li>(c) may not be the same person as the Managing Director</li> </ul> <p>The division of the responsibilities of the chairman of the board and the Managing Director have been agreed by the board and are set out in this charter.</p> <p>The responsibilities of the chairman of the board include:</p> <ul style="list-style-type: none"> <li>(a) providing leadership to the board and the Group</li> <li>(b) promoting the efficient organisation and conduct of the board's functions</li> <li>(c) ensuring the board considers and adopts strategies designed to meet present and future needs of the Group</li> <li>(d) ensuring the board has an effective composition, size and commitment to adequately discharge its responsibilities and duties</li> </ul>

	<ul style="list-style-type: none"> <li>(e) monitoring the performance of the board</li> <li>(f) facilitating board discussions to ensure core issues facing the Group are addressed</li> <li>(g) briefing all directors in relation to issues arising at board meetings</li> <li>(h) facilitating the effective contribution and ongoing development of all directors</li> <li>(i) promoting constructive and respectful relations between board members and between the board and management</li> <li>(j) ensuring the board regularly meets to consider the Group's performance and key issues facing it</li> <li>(k) setting the agenda for the board meetings after consulting with the chief executive officer</li> <li>(l) chairing general meetings.</li> </ul>
<b>Managing Director and Executive Committee</b>	<p>Responsibility for day to day management and administration of the Group is delegated by the board to the chief executive officer and the executive committee<sup>1</sup>.</p> <p>The Managing Director manages the Group in accordance with the strategy, plans and policies approved by the board.</p> <p>The Managing Director is appointed by the board.</p> <p>The Managing Director may not be the same person as the chairman of the board.</p> <p>The responsibilities of the Managing Director include:</p> <ul style="list-style-type: none"> <li>(a) developing and recommending to the board strategies, business plans and annual budgets</li> <li>(b) implementing the strategies, business plans and budgets adopted by the board</li> <li>(c) providing effective leadership, direction and supervision of the executive team to achieve the strategies, business plans and budgets adopted by the board</li> <li>(d) developing and managing resources, policies and systems to ensure the effective operation of the Group (including policies on risk management, internal controls and human resources)</li> <li>(e) managing resources within budgets approved by the board</li> <li>(f) ensuring compliance with applicable laws and regulations</li> <li>(g) ensuring the board is given sufficient information to enable it to perform its functions, set strategies and monitor performance</li> <li>(h) acting within authority delegated by the board</li> </ul> <p>The board has approved the terms of reference for the executive committee setting out matters relevant to its composition, responsibilities and administration. The executive committee will review its terms of reference from time to time and seek the board's approval for any amendments it recommends.</p>

	<p>The board has in place procedures to assess the performance of the Managing Director and executive team.</p>
<b>Directors</b>	<p>Directors are expected to attend and participate in board meetings and meetings of committees on which they serve.</p> <p>Directors are expected to spend the time needed, and meet as often as necessary, to properly discharge their responsibilities.</p> <p>Directors are expected to review meeting materials before board meetings and committee meetings.</p> <p>Directors are encouraged to ask questions of, request information from, and raise any issue of concern with, management. Directors are encouraged, where possible, to ask any questions and raise issues of concern before a meeting so that management is prepared to address them.</p> <p>Directors must exercise independent judgment when making decisions.</p> <p>Publicly, directors are expected to support the letter and spirit of board decisions.</p> <p>Directors must keep board information, discussions, deliberations, and decisions that are not publicly known, confidential.</p> <p>Directors must comply with their legal duties when discharging their responsibilities as directors. Broadly, these duties are:</p> <ul style="list-style-type: none"> <li>(a) to act in good faith and in the best interests of the Company</li> <li>(b) to act with care and diligence</li> <li>(c) to act for proper purposes</li> <li>(d) to avoid a conflict of interest or duty</li> <li>(e) to refrain from making improper use of information gained through the position of director or taking improper advantage of the position of director</li> </ul>
<b>Conflicts</b>	<p>Directors are expected to be sensitive to conflicts of interest or duty that may arise and mindful of their fiduciary obligations.</p> <p>Directors must:</p> <ul style="list-style-type: none"> <li>(a) disclose to the board any actual or potential conflict of interest or duty that might reasonably be thought to exist as soon as the situation arises</li> <li>(b) take necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty</li> <li>(c) comply with the Corporations Act 2001 (Cth) and the Company's constitution in relation to disclosing material personal interests and restrictions on voting</li> </ul> <p>If a conflict exists, it is expected that any director to whom the conflict relates will leave the room when the board is discussing any matter to which the conflict relates.</p> <p>Directors are expected to inform the chairman of the board of any proposed appointment to the board or executive of another company as soon as practicable.</p>

<p><b>Access to information and independent advice by Directors</b></p>	<p>Directors have access to any information they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions.</p> <p>Directors have access to:</p> <ul style="list-style-type: none"> <li>(a) management to seek explanations and information from management</li> <li>(b) auditors, both internal and external, to seek explanations and information from them without management being present</li> </ul> <p>Directors may seek any independent professional advice they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions.</p> <p>If the chairman of the board consents, the Company will pay a director's costs of seeking independent professional advice. That consent may not be unreasonably withheld or delayed.</p>
<p><b>Codes of Conduct and Business Integrity</b></p>	<p>The Group has adopted a corporate code of conduct<sup>1</sup> and business integrity policy<sup>2</sup> setting out its legal, ethical and other obligations to all legitimate stakeholders including employees, customers and the community.</p> <p>The Group has adopted a code of conduct for directors and senior executives setting out required standards of behaviour, for the benefit of all shareholders.</p> <p>Each director, officer and employee will be given a copy of SMEC's business integrity policy and the code of conduct applicable to their position when joining the Group.</p>
<p><b>Communication of information</b></p>	<p>The board will:</p> <ul style="list-style-type: none"> <li>(a) communicate effectively with its parent companies (as required)</li> <li>(b) give parent companies ready access to balanced and understandable information about the Group and its corporate goals</li> </ul>