

Example Board Charter

Smith, Inc. Board Charter October 2019

PURPOSE OF BOARD CHARTER

The purpose of this board charter is to provide guidelines for the structure and operation of the board of directors in manner which is consistent with the RESTATED BYLAWS OF SMITH, INC. dated April 18, 2008. This board charter will help clarify shareholders' expectations of the role of the Board and will help existing and prospective directors to understand the director's role and the commitment required to be effective in that role.

BOARD DUTIES

All corporate authority resides with the Board as fiduciaries of the Company's shareholders, except for those matters reserved to the shareholders. The Board has oversight authority to ensure the Company is managed in such a way to achieve its objectives and to serve the long-term interests of the Company and its shareholders. The board delegates its authority to management for managing the everyday affairs of the Company. The Board requires that senior management review major actions and initiatives with the Board prior to making commitments and implementation. Management, not the Board is responsible for managing the Company. Consistent with the division of authority between the Board and Management, the Board shall, among other things.

Confirm that processes are in place designed to maintain the integrity and ethical conduct of the Company, including the integrity of its financial statements, its compliance with law and ethics, and its relationships with shareholders, customers, employees, and the communities in which the Company operates

- Review and approve strategic plans, annual operating plans and annual capital plans to enhance shareholder value
- Review corporate performance: financial, operations, customer and supplier relations, and community relations
- Approve dividends
- Approve related party transactions
- Stay apprised of relations with shareholders and interact with shareholders regarding the annual giving program
- Oversee and evaluate management's systems for internal control and financial reporting
- Oversee and evaluate senior management performance and compensation
- Plan for effective succession of the chief executive officer and senior management, including leader development

- Provide advice and counsel to senior management
- Oversee and evaluate management's systems and processes for the identification, assessment, management, mitigation, and reporting of major risks impacting the Company
- Establish corporate governance standards
- Regularly review and assess the Board's leadership structure
- Undertake periodic performance evaluation regarding the effectiveness of the Board and its committees
- Set standards for Director qualification
- Set standards for Director orientation and continuing education

DIRECTOR RESPONSIBILITIES

Each director is expected to use his or her best efforts and capabilities to be actively engaged with helping carry out the duties of the Board as outlined above. Directors shall perform their duties independent of any particular interest in the Company. Directors should not support one interest without regard to the other interests involved.

Directors are expected to participate in all Board and committee meetings on which such Director serves and be physically present for the annual and regular board meetings; to review all distributed background and explanatory materials and to be prepared to participate actively at such meetings. Directors may attend board meetings by phone with the prior consent of the Chairman of the Board if they are unable to attend in person due to circumstances beyond their control. Directors are encouraged to attend the annual general meeting of the Company's shareholders.

Specific responsibilities of independent directors (see independent director independence standards) include:

- Avoid taking sides in family disputes. Do not become arbitrators of family conflict. Direct family shareholders to utilize the established protocol for communicating family issues.
- Reinforce need for owners to address ownership issues outside the board room, through appropriate channels.
- Ensure appropriate guidelines and policies are in place to govern issues at the intersection of family and business (e.g., family employment, conflict of interest).
- Ensure management adheres to these guidelines and policies.
- Share specialized functional and industry expertise and other skills to aid in addressing business issues.
- Commit time to learning the specific industry and business issues faced by the company, to provide appropriate counsel.

Specific responsibilities of family directors include:

- Represent the interests of the shareholder group, not personal interests or those of a branch or subset of shareholders.

- Maintain appropriate boundaries between roles as an owner, family member and board member (and potentially manager). Serve as a board member in the boardroom.
- Board members should abstain from voting on such issues that involve a personal conflict of interest and, at the discretion of the full Board, should recuse themselves from the meeting during the discussion and/or the vote.
- Be knowledgeable of family issues and concerns. Serve as a channel for communicating these concerns to the full board.
- Seek opportunities to educate themselves on the Company's lines of business, competitors, clients, products and services, the Company's business model and strategies and develop a working understanding of the financial statements and key performance measures.
- Maintain standing as trusted, respected member of the family.
- Ensure effective communication of shareholder vision and values and adherence to vision and values in corporate decision making.
- Serve as stewards of family values and legacy.
- Family directors are not responsible for reporting outcomes from Board meetings.

BOARD COMPOSITION

The Board will be comprised of up to seven directors with a combination of family directors and independent directors while maintaining a family director majority. Shareholders value the objectivity and expertise which independent directors bring to the Board. The goal is to have more than one but not more than three independent directors. Directors are expected to make a minimum commitment to three years of service subject to annual election by the shareholders.

BOARD MEETINGS

Board meetings consist of an annual meeting, regular meetings and special meetings as presented in the bylaws. The Board will meet as often as necessary, but not less than four times per year inclusive of the annual meeting. Regular meetings will be held on dates, times and places as the Board determines from time to time and in accordance with the bylaws. Regular board meetings will be scheduled on an advance basis according to an annual board calendar to help ensure priority in directors' schedules. Special meetings of the Board may be called and held in accordance with the bylaws.

Board meetings are generally held at the offices of the Company but may also take place elsewhere. In addition, meetings of the board may be held by conference calls, video conference or by any other means of communication provided all participants can communicate with each other simultaneously.

The CEO, even if he/she is not a member of the board, shall attend board meetings unless the board instructs him/her not to attend. If requested by the board, other executives shall also attend meetings of the board in whole or in part. Attendance of a meeting of persons other than board members, the CEO, and other invited executives shall be decided by majority vote of the board members present at the meeting.

Board meetings are presided over by the Chairman of the Board. In his/her absence the meeting shall be presided over by one of the other board members, designated by majority vote of the board members present at the meeting .

For board decision-making, there is a preference for unanimity. The board members shall try to seek unanimity on board decisions. However, board members are encouraged to respectfully voice dissenting opinions and record these in the minutes when unanimity cannot be reached. Each board member has the right to cast one vote. Where unanimity cannot be reached and the law, the Company's articles of incorporation, bylaws or this charter do not prescribe a larger majority, all resolutions of the board are adopted by a majority of the votes cast. In the event of a tie, the Chairman of the Board has the deciding vote. The board may only make a decision if the majority of the directors are present.

Minutes must be drawn up for every board meeting and for board decisions adopted outside a meeting (see Clause 4.12 of bylaws). The minutes are to be signed by the meeting Chair and then added to the company's records. Each member of the board shall receive a copy of the minutes. Urgent decisions may be drawn up and adopted immediately in the relevant meeting.

The Chairman of the Board will serve as the Board spokesperson and decisions made by the board may be disclosed through a statement by the Chairman.

BOARD COMMUNICATION PROTOCOL

Board Member Communication

Conversations between directors on board topics are best held in the presence of the entire board so the entire board can benefit from the dialogue. Communication between a subset of directors outside the boardroom on board topics is permissible, if the purpose of communication is to gain input or advice. Lobbying a director to take a position on an issue is not appropriate. If a director feels communication from another director is inappropriate, he/she should request that the initiating director bring the issue to the full board for discussion. Significant communication between directors outside the boardroom should be disclosed to the full board by the directors involved.

The board should engage in the business at a strategic level. It is not appropriate for the board to insert itself into operational details, which are the responsibility of management. Productive challenge and questioning is part of the directors' responsibility and respectful disagreement in the boardroom is expected. Once the board has approved a decision, all directors should speak with one voice supporting that decision, in and out of the boardroom. Directors should communicate in a respectful manner with each other in and out of the board room.

Shareholder Communication

Shareholders are encouraged to communicate material concerns to the Chairman of the Board and the Chair will determine if the concern warrants the Board's attention. Shareholders should understand that one-on-one dialogue with an individual director is not a good way to address an issue. Shareholders should understand that individual directors do not have authority to resolve an issue. Additionally, communication between a shareholder and an individual director may be disclosed to the full Board. So, it is in the shareholders' best interest to raise questions or concerns through formal channels with the Chairman of the Board.

If a director receives written or email communication from a shareholder, it will be submitted to the Chairman of the Board for distribution to the full Board. If an independent director is contacted via phone or in person by a shareholder to voice a concern, the director should notify the Chairman of the Board of the nature of the concern.

The board has legal authority and responsibility for acting in the best interests of the Company. In some instances, fulfilling this responsibility may require input from shareholders concerning their vision and objectives. Shareholder desires, however, will not be the only factor in decision making, as they must be balanced with the needs of the Company.

If directors believe that shareholder input is needed, they should request that the Chairman of the Board facilitate a Board discussion on the specifics of the input required. If the Chair deems this request appropriate, the Chair will schedule the topic on the board agenda and the Board will decide on the best way to obtain this input.

BOARD COMMITTEES AND STRUCTURE

The board will have the following standing committees: Compensation, Audit and Nominating. The following guidelines will apply to all committees of the Smith, Inc. Board of Directors.

Meetings

Committees set their own meeting schedule, subject to meeting requirements set out in the Bylaws of Smith, Inc.

Attendance

The Board Chairman is an ex-officio member of the compensation and audit committees; in this capacity he/she is invited to attend committee meetings as a non-voting member. Non-committee members (other board members and non-board persons) may be invited to attend committee meetings on an as needed basis.

Minutes

Committees must keep minutes of all meetings, which are shared with the full board in the board package distributed prior to each board meeting. Meeting minutes will be general in nature, to protect the confidentiality of sensitive issues. Minutes should include topics discussed in the meeting, as well as committee recommendations for full board approval.

Authority

Committees do not have the authority to take action. As specified in the Company Bylaws, they make recommendations to the full board for approval.

Charters/Responsibilities

Committees are responsible for developing and periodically reviewing their charters. Committee charters and their amendments are approved by the full Board. A committee can make a request to amend its charter to the Chairman of the Board. If deemed appropriate, the Chair may bring the requested amendment to the full board for discussion and approval.

COMMITTEE LEADERSHIP

The Compensation and Audit Committees are responsible for selecting their Chairs. The Nominating Committee shall be chaired by the Chairman of the Board.

BOARD MEMBER NOMINATIONS AND ELECTION

Board members will be elected by the shareholders in accordance with the Company bylaws (Clause 4.2). The nominating committee will have the duty and authority to recommend director candidates to the full Board. The Board in turn will nominate the director candidates for the board seats and shareholders will elect the directors. See Nominating Committee Charter for additional details.

BOARD MEMBER COMPENSATION

The board of directors will from time to time set compensation for directors and specific roles of directors, e.g. board chair, committee member, committee chair, etc. in accordance with the bylaws.

AMENDMENTS

This Charter may be altered or amended by the Board of Directors at its sole discretion without prior notification.

ADDITIONAL PROVISIONS

Acceptance by Board Members

Anyone who is appointed as board member must, upon assuming office, declare in writing to the Company their acceptance of and agreement to comply with the provisions of this charter. A corresponding reference to this extent is included in the director's appointment letter.

Interpretation

In case of uncertainty or difference of opinion on how a provision of this charter should be interpreted, the opinion of the Chairman of the Board shall be decisive.

Partial Invalidity

If one or more provisions of this charter are (or become) invalid, this shall not affect the validity of the remaining provisions. The board may replace the invalid provisions by provisions which are valid and the effect of which, given the contents and purpose of this charter is, to the greatest extent possible, similar to that of the invalid provisions.

OTHER CONSIDERATIONS

Following are other areas to consider for development of structure and inclusion in your board charter.

- Board Effectiveness Evaluation
- Board Orientation and Continuing Training