



MALAYSIA STEEL WORKS (KL) BHD
(Company No.7878-V)

BOARD CHARTER

Foreword

The Malaysian Code on Corporate Governance 2017 (MCCG 2017) focuses on strengthening corporate culture anchored on accountability and transparency. MCCG 2017 has thirty-six (36) practices to support three (3) principles namely, board leadership and effectiveness; effective audit, risk management, and internal controls; and corporate reporting and relationship with stakeholders. A key feature of the new MCCG 2017 is the introduction of the Comprehend, Apply and Report (CARE) approach, and the shift from “comply or explain” to “apply to explain an alternative”. This was meant to encourage listed companies to put more thought and consideration when adopting and reporting on their corporate governance practices.

This Board Charter is established to promote high standards of corporate governance and is designed to provide guidance and clarity for Directors and management with regard to the role of the Board and its committees. This Board Charter does not overrule or pre-empt the statutory requirements and other relevant statutes. This Board Charter shall form an integral part of each Director’s duties and responsibilities.

Glossary

“Board” means the board of directors of the Company.

“Bursa Securities” means Bursa Malaysia Securities Berhad.

“Business” means the business of the Group.

“Chairman” means the chairman of the Board and is used in a gender neutral sense.

“Company” or “Masteel” means Malaysia Steel Works (KL) Bhd.

“Company Secretary” means the Board secretary(ies) or the person(s) normally exercising the functions of a Board secretary.

“Director” means directors of the Company which includes executive directors, non-executive directors, independent directors, alternate director, substitute director and a person in accordance with whose directions and instructions the directors are accustomed to act.

“Group” means the Company and its subsidiaries.

“Independent Director” is defined in accordance to Paragraph 1.01 of the Listing Requirements.

“Listing Requirements” means the Main Market Listing Requirements of Bursa Securities.

“Management” means the management personnel of the Company.

“MD/CEO” means the Managing Director/Chief Executive Officer of the Company.

1. Objectives of the Board

The Board is accountable to shareholders and is responsible for the stewardship of the Group's Business and affairs. The Board shall seek to ensure that the Business objectives of the Group is aligned with the expectations of shareholders with a view to enhancing long-term shareholders' value whilst taking into account the interests of other stakeholders.

The Board has to warrant that the operations of the Group are being effectively managed in a manner that is properly focussed on those Business objectives, conforming to regulatory and ethical requirements as well as maintaining high standards of transparency, accountability and governance.

2. Role of the Board

Shareholders elect the Board to oversee management and to ensure that shareholder long-term interests are served. Through oversight, review and counsel, the Board establishes and promotes the Company's business and organisational objectives, provides leadership to the Company, oversees business affairs and integrity, works with management to determine the Company's mission and long-term strategy.

The Board has delegated certain responsibilities to committees which operate in accordance with Charter approved by the Board and delegated the day to day management of the Business of the Group to Management and MD/CEO.

The Board is responsible for sound risk management of the Company and delegates its risk oversight to one of its committees. The Risk Management Committee oversees strategic, operational, financial and environmental risks and provides guidance on risk appetite, assessment and mitigation actions. The Management periodically reports to the Risk Management Committee which will report to the Board on those matters.

The Board shall reserve a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. This includes strategic issues and planning, formulation of policies, material acquisition and disposal of assets, implementing an appropriate system of risk management, approval of the financial statements, financing and borrowing activities, ensuring regulatory compliance, reviewing the adequacy and integrity of internal controls and overseeing the investment and business of the Group.

The principal duties and responsibilities of the Board including those adopted from the Code are:

- reviewing and adopting a strategic plan for the Group, including setting performance objectives and ensuring that the strategies promote sustainability;
- monitoring the Company's performance and building sustainable value for shareholders in accordance with any duties and obligations

imposed on the Board by law and within a framework of prudent and effective controls which enables risk to be assessed and managed;

- Overseeing the conduct of the Group's business to evaluate whether the businesses are being properly managed.
- reviewing the procedures in order to identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- establishing proper succession planning, including appointing, assessing, training, fixing the compensation of, and where appropriate, replacing Board and Key Senior Management;
- developing and implementing Corporate Disclosure Policy (including an investor relations programme or shareholder communication policy) for the Group;
- reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- ensuring that the Company's financial statements are true and fair and conform with the accounting standards; and
- ensuring that the Company adheres to high standards of ethics and corporate behaviour.

3. Board Structure

3.1. Board Balance and Composition

The Board should be of a size and composition with the benefit of diversity in perspectives and skills that is conducive to effective decision making and effective discharge of its roles and responsibilities for the benefit of the Group and its Business.

In accordance with Paragraph 15.02 of the Listing Requirements, the number of independent Directors should make up of at least two or one-third, whichever is higher, of the Board.

The appointment of a new member to the Board is only made after consultation with the Nomination Committee and it is of essence of the Board to ensure high level of professional skills and appropriate personal qualities are pre-requisites for such nominee. All Directors must be of legal age and sound mind and not disqualified under the statutes to act as Director.

The Board also recognises the importance of having a clearly accepted division of power and responsibilities at the head of the Company to ensure a balance of power and authority. It is the policy of the Board to keep the roles of the Chairman and the MD/CEO separate.

The Board recognises the significant representation by Directors who are capable and willing to make Business decisions and judgement in the best interest of the Group and free from influences which would give rise to conflict of interest with that duty and are also independent of the Management. The Board decision making process should be independent and objective. In exercising Directors' power, they must exhibit certain level of skill as may reasonably be expected from a person with relevant knowledge and experience. They must also exercise a degree of care in their actions and act bona fide in the interest of the Company.

The Board recognises the need for an appropriate balance between executive Directors who possess extensive direct experience and expertise in the core Business activities and day-to-day operations of the Group, and non-executive Directors who have outstanding track records and reputation, and who are able to bring to the Board a broad range of general commercial expertise and experience.

A Director should inform the Board's Chairman before he/she accepts any new directorships in public listed companies or other companies, which may give rise to potential conflict of interest.

3.2. Role of the Chairman

The Chairman carries out a leadership role in the conduct of the Board and its relations with the shareholders and other stakeholders. The Chairman is primarily responsible for:

- leading the Board in the oversight of management;
- representing the Board to shareholders and to chair and to ensure the efficient organisation and conduct of the Board and/or meeting of the shareholders;
- ensuring the integrity of the governance process and issues;
- maintaining regular dialogue with the MD/CEO over all operational matters and consulting with the remainder of the Board promptly over any matters that gives him/her cause for major concern;
- functioning as a facilitator at meetings of the Board to ensure that no member dominates discussion, that appropriate discussions takes place and that relevant opinions among members is forthcoming;
- ensuring that executive Directors look beyond their executive function and accept their share of responsibilities in governance;
- guiding and mediating Board actions with respect to organisational priorities and governance concerns;
- undertaking the primary responsibility for organising information necessary for the Board to deal with items on the agenda and for providing this information to Directors on a timely basis; and
- performing other responsibilities assigned by the Board from time to time.

3.3 Role of the MD/CEO

The position of the MD/CEO in essence is to ensure the effective implementation of the Group's Business Plan and policies established by the Board as well as to manage the daily conduct of the business and affairs to ensure its smooth operation.

The MD/CEO, in association with the Chairman, is accountable to the Board for the achievement of the Group's mission, goals and objectives.

The MD/CEO is responsible to the Board for the following:

- executive management of the Group's Business covering, inter alia, the development of a strategic plan; an annual operating plan and budget; performance benchmarks to gauge management performance and the analysis of management reports;
- developing long-term strategic and short-term profit plans, designed to ensure that the Group's requirements for growth, profitability and return on capital are achieved;
- directing and controlling all aspects of the business operations in a cost effective manner;
- effectively oversee the human resources of the Group with respect to key positions in the Group's hierarchy and recruitment of senior management staff, determination of remuneration as well as terms and conditions of employment for senior management and issues pertaining to discipline;
- ensures that the Group's Financial Reports present a true and fair view of the Group's financial condition and operational results and are in accordance with the relevant accounting standards;
- assures the Group's corporate identity, products and services are of high standards and are reflective of the market environment;
- ensures compliance with governmental procedures and regulations;
- coordinates business plans with the businesses heads, coordinates management issues through the Board, and oversees divisional function groups and cost containment process in consultation with the Chief Financial Officer; and
- assists the Chairman in organising information necessary for the Board to deal with the agenda and for providing this information to Directors on a timely basis.

In discharging the above responsibilities, the MD/CEO can delegate appropriate functions to any member of senior management including EDs who shall report to the MD/CEO.

3.4 Tenure of Directors

In line with the MCCG 2012, the tenure of an independent Director should not exceed a cumulative term of nine years unless it is recommended by the

Nomination Committee and the Board is satisfied that he or she is able to continue bring independent judgement to the Board deliberations. This will be subject to the approval of shareholders at the annual general meeting of the Company.

3.5 Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Board recognises the fact that the Company Secretary should be suitably qualified, competent and capable of carrying out the duties required of the post.

The key role of the Company Secretary is to provide unhindered advice and services for the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.

Other primary responsibilities of the Company Secretary shall include:

- preparing agendas of Board and Board committee meetings in consultation with the respective Chairmen;
- ensuring that Board procedures and applicable rules are observed;
- preparing comprehensive minutes to document meeting proceedings and ensuring conclusions are accurately recorded;
- assisting the communications between the Board and Management; and
- providing full access and services to the Board and carrying out other functions deemed appropriate by the Board from time to time.

3.6 Board Committees

The Board reserves the right to establish Committees from time to time in the discharge of its duties and responsibilities. The existence of the Board Committees does not diminish the Board's responsibilities for the affairs of the Group where the delegation of power shall be subjected to the approved terms of references and are in accordance with this Charter.

The Board shall establish the policy of Board Committees to assist the Board in carrying out its duties:

- **Audit Committee**

Audit Committee assists in fulfilling the Board's stewardship accountability to its Shareholders and financial stakeholders. An Audit Committee shall provide assurance to the Board with quality and reliable financial information and are responsible for the accuracy and integrity of the Group's financial reporting.

- **Nomination Committee**

The Nominating Committee oversees matters relating to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director as well as identify candidates to fill board vacancies, and nominating them for approval by the Board.

- **Remuneration Committee**

The Remuneration Committee is primarily responsible for recommending to the Board the remuneration of Executive Directors and Non-Executive Directors in all its forms, drawing from outside advice if necessary.

- **Risk Management Committee**

The Risk Management Committee is primarily responsible for reviewing the effectiveness of the Group's risk management activities and ensuring the implementation of appropriate internal controls and mitigation measures.

3.7 Investor Relations and Shareholders' Communication

The Board shall maintain an effective communications policy that enables both the Board and Management to communicate effectively with its shareholders, stakeholders and the general public.

It is the role of the Board to ensure that the Annual General Meeting ("AGM") and/or Extraordinary General Meeting ("EGM") of the Company are conducted in an efficient manner and serves as a crucial mechanism in shareholder communications. Key ingredients behind this include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the AGM/EGM.

The MD/CEO shall take responsibility for addressing queries from Shareholders, stakeholders and analysts. In the performance of this responsibility, the MD/CEO shall be mindful of the regulatory requirements pertaining to price sensitive information.

4. Board Processes

Board Meetings shall be conducted in a business-like manner where all Directors are encouraged to share their views and partake in discussions. No one person

should dominate the discussion. The Chairman, assisted by the Company Secretary, shall play a mediator's role to maintain the order of the proceedings in a constructive, productive and effective manner.

- **Frequency**

The Board should meet regularly, at least on a quarterly basis. Special Board meetings should be held in addition to the quarterly meetings as and when required. Prior notice of meetings will be given to all who are required to attend the meetings.

Board members are required to attend the Board meetings and attendance of each individual Director in the meetings held in a financial year is required to be disclosed in the Annual Report. Other senior officers may be invited to attend for particular items within their responsibility. The Board may also invite external parties such as the auditors, solicitors and consultants as and when the need arises.

Additional formal business is dealt with as required, whether by physical, videoconferencing or telephonic meetings, as well other electronic meetings allowed under the laws or the Company's constitution documents. All resolutions, attendance, transactions, quorums and votes obtained through electronic means shall be deemed valid and effective unless it contravenes the requirements of relevant statutes and regulations.

All meetings of the Board will be conducted in accordance with the constitution of the Company and applicable laws.

- **Agenda and Meeting Papers**

The notice of a Directors' meeting should be given in writing at least seven (7) days prior to the meeting.

A well prepared board agenda will enhance the Board's productivity and strengthen its strategic and supervisory role. The Chairman, in conjunction with the executive Director(s) and the Company Secretary, shall undertake the primary responsibility for preparing the Board's agenda. The agenda shall include, amongst others, matters specifically reserved for the Board's decision.

As a matter of best practice and to allow ample time for Directors to consider the relevant information, Board papers and agenda items are to be circulated at least three (3) days prior to the meeting or such other period as deemed appropriate by the Board. It is recommended that where there is a need to table a report, a brief listing of findings and/or recommendations is prepared.

- **Minutes**

The Board shall record its deliberation, in terms of the issues discussed, and the conclusions thereof in discharging its duties and responsibilities. The minutes shall state the Director's abstention from participating in dealing with issues or objection to any particular issue, where relevant.

- **Access to Information and Independent Professional Advice**

All Directors (executive and non-executive) have the same right of access to all information within the Group whether as a full board or in their individual capacity, in furtherance of their duties and responsibilities as Directors of the Company, subject to a formal written request to the Chairman furnishing satisfactory and explicit justification for such request.

All Directors should have access to the advice and services of the Company Secretary. The Board should recognise that the Chairman is entitled to the strong and positive support of the Company Secretary in ensuring the effective functioning of the Board.

The full Board or any Director in his individual capacity, in furtherance of their duties, shall be able to obtain an independent professional advice at the Company's expenses through an agreed procedure laid down formally as follows:

- the request shall be made in writing to the Chairman highlighting the purpose behind the request and the estimated costs for the advice; and
- the Chairman shall consider the said request and at his absolute discretion determine if the Director concerned shall be permitted to seek independent professional advice and, where appropriate, disseminate the advice to all Directors. Should a request be denied, the Director concerned is entitled to have his views duly recorded.

Subject to prior approval of the Chairman, the cost of the advice will be reimbursed by the Company but the Director will ensure, so far as is practicable, that the cost is reasonable.

- **Induction Process and Training**

The objective of the induction process is to provide Directors with a rapid and clear insight into the Group as well as keeping them abreast with development in the market place pertaining to the oversight function of Directors. This will enable the Directors to discharge their duties and responsibilities effectively.

All new Directors appointed to the Board shall participate in the Mandatory Accreditation Programme pursuant to the Listing Requirements, if he/she has not attended before, and undertake an induction program facilitated by the Management to assist them in fulfilling their duties and responsibilities.

Directors are expected to undertake any necessary professional education or training program to enhance their skills and knowledge on relevant new laws

and regulations and to keep abreast with the changing business environment within which the Group operates so as to enable them to discharge their duties.

- **Directors' External Commitments and Conflict of Interest**

The Company's Articles of Association stipulate that a Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare his interest in accordance with the provisions of the Companies Act 2016.

Directors are not permitted to take part in the deliberation or making decision of issues that have such significance to them or any closely related parties that they must be regarded as having a distinct personal or financial special interest in the issue.

In addition to abstention from deliberation and voting, every Director who has a direct or indirect interest in any contracts or arrangement with the Group shall immediately declare his interest to the Board.

Any substantial dealings with a Director or a person connected to the Director must be approved by the Shareholders in accordance with the provisions in the Listing Requirements.

5. Directors' Code of Conduct

All Directors shall conform to Masteel's Code of Conduct ("Code") established to promote the corporate culture which engenders ethical conduct that permeates throughout the Company. The Code is based on principles in relation to trust, integrity, responsibility, excellence, loyalty, commitment, dedication, discipline, diligence and professionalism.

Every Director is responsible to:

- Know and comply with the Code and the Company's policies and procedures.
- Improve self-discipline in order to provide the Company with good and quality service.
- Enhance and maintain the reputation, image, brand and quality of the Company.
- Seek guidance when in doubt.
- Avoid illegal, unethical or otherwise improper acts.
- Report any suspected violation of policies, laws and regulations.
- Assist authorised personnel with investigations.
- Take responsibility and accountability for his actions.
- Notify the Board immediately if the Director suspects any irregularities.

In the performance of the Director's duties, he must comply with the letter and spirit of the following:

- **Human Rights**

The Company supports and respects human rights. The Company treats its officers with dignity and respect in the workplace, provides equal employment opportunities, creates a safe and harmonious work environment, and will not engage in any form of discrimination.

- **Health And Safety**

The Company provides a work environment that is safe, secure and free of danger, harassment, intimidation, threats and violence. The Company takes appropriate precautions to prevent injuries or adverse working conditions for each and every officer.

- **Environment**

The Company conducts operations in a manner that safeguards health, protects the environment and conserves valuable materials. The Company is committed to protecting the environment by minimizing and mitigating environmental impacts throughout the life cycle of operations.

- **Gifts, Business Courtesies and Corruption**

Directors must not accept gifts or other form of remuneration if there is reason to believe that its purpose is to improperly influence business decisions or will conflict with the Company's interest and compliance with laws.

- **Company Records And Internal Controls**

The Company's records must be prepared accurately and honestly and its obligation is to maintain business records for operational, legal, financial, historical and other purposes. The Directors should take appropriate steps to review that the content, context and structure of the records are reliable and authentic and reliable internal controls are in place for proper, complete and accurate accounting and financial reporting. The Directors must understand the internal controls relevant to their positions and comply with the policies and procedures related to those controls to ensuring that effective and reliable business processes are in place.

- **Company Assets**

Directors have an affirmative duty to safeguard the Company's properties and assets in a manner which protects their values. Directors must immediately report the theft, loss or misappropriation of any Company assets, including financial assets, physical assets, information assets and electronic assets to the Board.

- **Conflict of Interest**

Directors must avoid any personal, financial or other interest which may be in conflict with their duties and responsibilities to the Company.

- **Integrity And Professionalism**

Directors should conduct themselves with the highest degree of integrity and professionalism while on the Company's business.

- **Confidential Information**

All information obtained in the course of engagement with the Company shall be deemed to be strictly confidential and shall not be disclosed to any third party and the Director must take precautionary steps to prevent the unauthorised disclosure of proprietary or confidential information, including protecting and securing documents containing such information.

- **Fair Dealing**

All Directors, customers, suppliers and any others who are related and have dealings with the Company shall be treated fairly and equally. Any ground of discrimination is strictly not allowed. The Company with compete effectively and fairly in the market which it managed. Moreover, the Company is obliged to ensure its operating activities and its relationship with any business partner is fair, transparent and honest. This includes any form of transaction or termination of relationship. All commercial transactions shall be recorded and documented. Corrupted practices are not allowed either directly or indirectly.

- **Insider Trading**

Any Director, Officer and Employee of the Company who is possess of any material, non-public information regarding the Company or any other Company in the Group must not:-

- Trade in the Company's securities;
- Disclose that information to other who may wish to deal in securities of the Company; or
- Otherwise use the information for personal advantage or the personal advantage of others.

- **Money Laundering**

Directors must not involve in financial transactions derived from or to be used for criminal activities. All business relationships involving financial transactions shall be verified, documented and accurately recorded on books. Directors undertake to take all necessary precaution to verify the reliability of those transactions, as well as the legitimate origin of the funds and the means used.

The Company and the Board should ensure this Code is being communicated to all Directors including newly appointed Directors and the Code should be included in the Directors' induction programme.

6. Review

This Board Charter will be reviewed periodically by the Board or at least once a year to keep it upto date and consistent with the Board's objectives and responsibilities.

This Board Charter is approved by the Board on 27 February 2013 and subsequently revised on 24 November 2015. Any terms of reference previously in force shall be superseded

Date : 23 November 2017