

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5098  
**COMPANY NAME** : Malaysia Steel Works (KL) Bhd  
**FINANCIAL YEAR** : December 31, 2017

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Recognising the importance of good governance as a fundamental part of discharging the Board's responsibilities, the Board is committed to exhibit high standards of corporate governance.</p> <p>The Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for Management, and monitoring the achievement of these goals. The Board is also responsible for formulation of policies, implementing an appropriate system of risk management, ensuring adequacy and integrity of the Group's system of internal control, overseeing investment and addressing sustainability of the business by instilling the appropriate culture, values and behaviour throughout the Group.</p> <p>The Board is guided by a Board Charter which sets out the respective roles of the Board, the Chairman of the Board, the Managing Director/Chief Executive Director ("MD/CEO"), Independent Directors and Senior Independent Director.</p> <p>Management's proposals which are reserved for the Board's approval will be discussed at the Board Meetings, where the Directors have the opportunity to scrutinise the proposal and seek clarification from the Management team. The Executive Directors ensure that Management has taken into account all the appropriate consideration before tabling the proposals to the Board. Any significant updates on the proposals would be updated to the Directors either in the next Board Meeting or in follow-up reports distributed.</p> <p>The day-to-day management of the Group is delegated to the MD/CEO and the Senior Management Team. In this respect, the Board is guided by the Limits of Authority which provides the authority limits for corporate, operational, financial and human resource areas. The Limits of Authority determines the respective approving authorities for each</p>

	<p>transaction, prohibiting unfettered powers for any single individual within the various levels of management. Notwithstanding this, the MD/CEO remains accountable to the Board for the authority that is delegated.</p> <p>The Group’s sustainability initiatives reflect its continuous drive towards maximising opportunities for strong fiscal growth and optimising operational efficiency in tandem with the long term-term value creation based on economic, environmental and social considerations. Details of the Group’s sustainability efforts are set out in its Sustainability Report, which is on page 24 to page 28 of the Company’s Annual Report.</p> <p>The Company has adopted a Succession Planning Policy to ensure that the Group is prepared with a plan to support operation and service continuity when the MD/CEO, Executive Directors and Senior Management or key business leaders leave their positions. Key Performance Indicators (KPIs) for the MD/CEO and Executive Directors are in place to ensure the performance of the MD/CEO and Executive Directors is aligned with the Group’s business targets for the year. During the financial year, the Remuneration Committee will meet and assist the Board in reviewing the remuneration of the MD/CEO and Executive Directors based on the Assessment Form for KPIs and thereafter, recommending the appropriate annual increment and bonus payment for the MD/CEO and Executive Directors. Whilst the performance of the Senior Key Management who report to the MD/CEO are evaluated annually by the MD/CEO premised on annual measurements and targets sets.</p> <p>The Risk Management Committee assists the Board in establishing a sound internal control framework to manage risks with the overall responsibility for overseeing the risk management activities of the Group and approving the appropriate risk management procedures and measurement methodologies across the Group.</p> <p>With the assistance of an external consultant, an Enterprise Risk Management (“ERM”) Approach has been adopted to develop an effective and sound ERM. The Board receives regular reports from the Chairman of the Risk Management Committee in relation to the potential risks identified, impact of the risks and mitigation of the key risks elements.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Independent Non-Executive Chairman, Dato' Ikhwan Salim bin Dato' Haji Sujak is responsible for the leadership, effectiveness, conduct and governance of the Board.</p> <p>In fulfilling his role, the responsibilities undertaken by the Chairman include, amongst others:</p> <ul style="list-style-type: none"><li>• leading the Board in the oversight of management;</li><li>• 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;</li><li>• encouraging active participation and allowing dissenting views to be freely expressed;</li><li>• managing the interface between Board and Management;</li><li>• leading the Board in establishing and monitoring good corporate governance practices in the Company ;</li><li>• 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;</li><li>• 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;</li><li>• ensuring that Executive Directors look beyond their executive function and accept their share of responsibilities in governance;</li><li>• guiding and mediating Board actions with respect to organisational priorities and governance concerns; and</li><li>• 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.</li></ul> <p>The detailed roles and responsibilities of the Chairman are encapsulated in the Board Charter available on the Company's website at <a href="http://www.masteel.com.my">www.masteel.com.my</a></p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.3**

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The roles of the Chairman and MD/CEO are separate and clearly defined, and are held by two distinct individuals. Dato' Ikhwan Salim bin Dato' Haji Sujak is the Independent Non-Executive Director and Chairman of the Board whereas Dato' Sri Tai Hean Leng @ Tek Hean Leng is the MD/CEO of Masteel.</p> <p>The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the MD/CEO has the overall responsibility for the day-to-day running of the business and implementation of Board policies and decisions. The separation of power seeks to facilitate an appropriate balance of power to prevent any single individual from dominating deliberations and the decision-making process.</p> <p>The respective duties and responsibilities of the Chairman and the MD/CEO are contained in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by two professionally qualified and competent Company Secretaries, namely Ms Tai Yit Chan and Ms Tan Ai Ning.</p> <p>The Board is regularly apprised and advised by both Company Secretaries on statutory and regulatory updates and requirements as well as pertinent governance matters. In discharging their role as counsels to the Board, the Company Secretaries also ensure proper supply of relevant information as well as the accuracy and adequacy of meeting materials, recording of meeting minutes and resolutions of the Board and Board Committees. The Company Secretaries also serve as a focal point for stakeholders' communication and engagement on corporate governance issues.</p> <p>The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions. During the year 2017, they attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries. Detailed information on the functional accountabilities of the Company Secretaries is encapsulated in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>To facilitate the Directors' time planning, the annual meeting calendar is prepared and tabled to the Board at the beginning of the year. The Chairman, together with Management and Company Secretary, are responsible for ensuring Directors receive adequate and timely information prior to Board or Board Committee meetings.</p> <p>The notice of the Board meetings is circulated to Board members at least 7 days before the meeting and the agenda and Board papers are circulated to the Directors at least 3 days before each meeting.</p> <p>All pertinent issues discussed at the Board and Board Committee meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries.</p> <p>The minutes of Board meetings are prepared within a reasonable period following a Board meeting. The draft minutes are circulated together with the Board papers at the following Board meeting. The Board requires the minutes to include important information and decisions made in the meeting.</p> <p>The minutes of meetings records the decisions, including key deliberations, rationale for each decision made and any concerns or dissenting issues. In addition to the provision, the Directors, either as a group or individually, may upon obtaining prior Board's approval seek independent advice, where necessary, at the Company's expenses on any matters in relation to the discharge of their duties.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

## Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Masteel has put in place a Board Charter which serves the Board as a primary reference point on governance matters as well as a guideline for newly-appointed Directors.</p> <p>The Board Charter covers amongst others, the following matters:</p> <ul style="list-style-type: none"><li>• Role and responsibilities of the Board;</li><li>• Structure of the Board;</li><li>• Role of the Chairman;</li><li>• Role of the MD/CEO;</li><li>• Role of Independent Directors;</li><li>• Role of Senior Independent Director;</li><li>• Tenure of Directors;</li><li>• Role of the Company Secretary;</li><li>• Role of the Board Committees; and</li><li>• Communication with stakeholders.</li></ul> <p>In developing and reviewing the Board Charter, the Board has taken into account the applicable rules, laws and regulations as well as internal policies.</p> <p>The Board has reserved 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, overseeing the investment and business of the Group, limit of authority and conflict of interest issue relating to a substantial shareholder or a Director including approving related party transactions.</p>

	The Board Charter was last reviewed on 4 April 2018. The Board Charter is accessible for reference on the Company website, <a href="http://www.masteel.com.my">www.masteel.com.my</a> .	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Company has in place a Code of Conduct for the Directors, management and officers of the Company and its subsidiaries (the "Group"). This Code is established to promote the corporate culture which engenders ethical conduct that permeates throughout the Company.</p> <p>The Code of Conduct covers the following overarching areas:</p> <ul style="list-style-type: none"><li>• Equal treatment of all employees;</li><li>• Ensure a safe and secure working environment;</li><li>• Environmental protection;</li><li>• Avoidance of accepting gifts and business courtesies;</li><li>• Maintain complete and accurate business records;</li><li>• Ensure high integrity and professionalism;</li><li>• Ensure protection of confidential information;</li><li>• Managing conflict of interest; and</li><li>• Complying with laws including abuse of power, corruption, insider trading and money laundering.</li></ul> <p>The Company has also adopted the Code of Ethics, consisting of commitments formulated as statements of personal responsibilities, identifies the elements of such a commitment.</p> <p>The Code of Ethics covers the following overarching areas:</p> <ul style="list-style-type: none"><li>• Corporate Governance;</li><li>• Conflict of interest and</li><li>• Social responsibilities and the environment.</li></ul> <p>The Code of Conduct and Code of Ethics are made available for reference on the Company website, <a href="http://www.masteel.com.my">www.masteel.com.my</a>.</p> <p>The Board reviews the Code of Conduct and Code of Ethics periodically or as and when the need arises to ensure it is kept contemporaneous.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As part of the Company's continuous effort to ensure that good corporate governance practices are being adopted, the Company has established a Whistle Blower Policy to provide a clear line of communication and reporting of concerns for employees at all levels, and provides alternative lines of communication depending on the person(s) who is/are the subject of such concerns.</p> <p>The Company's Whistle Blower Policy fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violations or improper conduct or wrongdoing within the Company.</p> <p>Managers, officers and employees in supervisory roles shall report directly to the Head of Internal Auditors or Audit Committee Chairman on any allegations of suspected improper activities – whether received as a protected disclosure, including those relating to financial reporting, unethical or illegal conduct and any employment-related concerns can be reported to the Head of Human Resources or the MD/CEO, the disclosure can be verbal or in writing and forwarded in a sealed envelope, reported by their subordinates in the ordinary course of performing their duties, or discovered in the course of performing their own duties.</p> <p>The Audit Committee is committed to investigate and address all cases of reported misconduct and determine the channel for investigation and follow-up action.</p> <p>The details information can be found in the Company's website at <a href="http://www.masteel.com.my">www.masteel.com.my</a> and is subjected to periodic reviews by the Board.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		



## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges that having at least half of the Board to consist of Independent Directors would undeniably elevate objectivity whilst preventing dominance and complacency within the Boardroom.</p> <p>The Board currently consist of four (4) Independent Directors and four (4) Executive Directors ensuring half of the Board comprises of Independent Directors. Independent Directors are expected to challenge Management proposals constructively and to examine and review Management performance in meeting agreed objectives and targets. In addition, they are expected to draw on their experience and knowledge in relation to the development of proposals on strategy.</p> <p>The current size and composition of the Board is within a range which is appropriate. The Board believe that the current size of the Board is sufficient to enable its Committees to operate and being dynamic and responsive to the needs of the Group.</p> <p>An annual assessment of independence of the Independent Directors would be conducted on annual basis. Based on the evaluation results, the Board was satisfied that each Independent Directors has fulfilled the independence criteria set out in the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and they continue to demonstrate their independence through their engagement in all meetings, providing objective challenge to the Management and bringing independent judgment to decisions taken by the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Mr Ng Wah Lok has served the Board for more than 12 years. Since years 2013, the Company has sought annual shareholders' approval at the Annual General Meeting ("AGM") for Mr Ng Wah Lok to continue to serve as Independent Director on the Board.</p> <p>Encik Muhammad Hanizam bin Hj. Borhan has served the Board for more than 9 years. Shareholders' approval was sought for Encik Muhammad Hanizam bin Hj. Borhan's continuance to serve as Independent Directors on the Board at the last AGM held on 15 June 2017.</p> <p>Given that the two-tier voting has yet to be operationalised by the Company, the Board recommends that a single tier shareholders' approval be sought at the upcoming AGM for both of them to continue to act as Independent Directors. Notwithstanding Mr Ng Wah Lok and Encik Muhammad Hanizam bin Hj. Borhan extended tenure, the Board has determined that Mr Ng Wah Lok and Encik Muhammad Hanizam bin Hj. Borhan are able to carry out their duties in a fair, impartial and conscientious manner based on the following justifications:-</p> <ol style="list-style-type: none"><li>They have fulfilled the criteria under the definition on Independent Director as stated in the MMLR, and therefore are able to bring independent and objective judgment to the Board;</li><li>They have contributed sufficient time and effort and attended all the Committee meetings and Board meetings;</li><li>The length of their service on the Board do not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company;</li><li>As they have been with the Company for more than nine (9) years,</li></ol>

	<p>they therefore understands the Company's business operations which enable them to participate actively and contribute during deliberations or discussions at Committee meetings and Board meetings without compromising their independence and objective judgement; and</p> <p>e. They have exercised their due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company and shareholders.</p>	
	<p>Shareholders' voting rights are enshrined under Company's Articles of Association, which states that every shareholder has one vote for every share he holds and resolutions are to be decided by a simple majority for ordinary resolutions and 75% of votes for special resolutions.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has adopted a Diversity Policy to set out the approach to diversity on the Board and workforce of the Group. The Board conducts regular reviews of its composition with the aim to ensure it achieves a diverse Board which is able to unearth a breadth of perspectives. In sourcing for suitable candidates, the Company takes into account the benefits of having different facets of diversity including gender, age, ethnicity, nationality, professional background, skills and experience.</p> <p>The Nomination Committee is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations. In this respect, the role of the Nomination Committee is detailed in its Terms of Reference, which is accessible for reference on at the Company's website.</p> <p>In making its recommendations to the Board, the Nomination Committee considers and assess the suitability of a new appointment based on objective criteria, including:</p> <ul style="list-style-type: none"><li>• skills, knowledge, expertise and experience;</li><li>• professionalism;</li><li>• character, integrity, commitment (including time commitment) and competency;</li><li>• boardroom diversity including gender, age and ethnicity diversity; and</li><li>• in the case of candidates for the position of Independent Directors, the Nomination Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Directors.</li></ul> <p>During the financial year ended 31 December 2017, Ms Ng Siew Peng was proposed to the Nomination Committee as a potential candidate for Directorship, by the MD/CEO of the Company.</p> <p>The Nomination Committee met, and upon deliberation agreed to recommend to the Board on the appointment of the new female candidate, Ms Ng Siew Peng, based on the set of criteria mentioned above. The appointment of Ms Ng Siew Peng as an Executive Director of the Company took effect on 23 November 2017.</p>

	<p>The Board is currently made up of members with a mix of skill sets, knowledge and experience (e.g. accounting, finance, manufacturing, civil, marketing, economics and business management) and age (39-61).</p> <p>The appointment of Senior Management is also based on predetermined criteria of skill sets and leadership qualities, driven by their respective job descriptions. Masteel has also put in human resource programmes which seeks to address the need for capable individuals at the Senior Management level, taking into account the different dimensions of diversity.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board has formalised a policy on diversity in April 2018. The Board of Masteel is of the view that diversity on the Board enhances the decision-making capability of the Company and it improves Board discussions process by allowing different perspectives to be included in decision making.</p> <p>The Board composition currently comprises one women director, Ms Ng Siew Peng, who is an Executive Director. She was appointed to the Board on 23 November 2017.</p> <p>Appointment of additional women to the Board will be made when a suitable candidate who can add value to the Board is identified.</p> <p>The Company also ensure diversity in its management level by having strong female representation at the management level which could potentially be a pipeline for future candidates to be appointed as Directors or Senior Management.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The current process with regards to the appointment of new directors to the Board is based on the recommendation of the Nomination Committee. The Board relies on the existing network and referrals from directors and major shareholder as primary means to source for new directors as they represent a tried and tested method of sourcing high-calibre directors with a sound understanding of the business.</p> <p>The Company has appointed Ms Ng Siew Peng as Executive Director of Masteel on 23 November 2017. In view that the appointment was part of the internal succession planning, composition dynamics and diversity, hence there was no utilisation of independent source.</p> <p>The Directors appointment process is carried out based on methodical and robust process undertaken by the Nomination Committee. Candidates recommended are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in paragraph 2.20A of MMLR of Bursa Securities.</p> <p>Detailed information on the process undertaken by the Nomination Committee including its process of identifying and appointing a candidate can be found in the Terms of Reference of the Nomination Committee on the Company's website at <a href="http://www.masteel.com.my">www.masteel.com.my</a>.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee is chaired by Encik Muhammad Hanizam bin Hj. Borhan, an Independent Director of the Company. The Board has decided that it is not necessary for the Nomination Committee to be chaired by the Senior Independent Director as the Nomination Committee comprises all Independent Directors, including the Senior Independent Director.</p> <p>The Board acknowledges that an effective recruitment and evaluation process of directors is the bedrock of a high-performing Board. The Board therefore believes that Encik Muhammad Hanizam bin Hj. Borhan, as an Independent Director, is the most suitable and qualified person to lead the conduct of the process in an objective manner.</p> <p>In discharging his duties as the Chairman of the Nomination Committee, he undertakes to lead the annual review of Board Effectiveness Evaluation, ensuring that the performance of the Board, Board Committees and each individual Director is assessed objectively and holistically; and lead the succession planning and appointment of Board members.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

## Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has adopted a formal and objective annual evaluation of the Board, which includes annual assessment of Board's required mix of skill, experience, quality and core competencies of the Directors, annual assessment of the effectiveness of the Board as a whole and the contribution of each individual Director. The evaluation process is undertaken by the Nomination Committee, supported by the Company Secretary.</p> <p>The effectiveness of the Board Committees is assessed in terms of composition, required mix of skills, experience, structure and processes, accountabilities and responsibilities, as well as the effectiveness of the Chairman of the respective Board Committees.</p> <p>The Nomination Committee also approved the performance criteria for the assessment of individual Directors through the Directors' Self and Peer Assessment questionnaire under five main areas, i.e. Character, Experience, Integrity, Competence and Time Commitment.</p> <p>The Nomination Committee met twice in the financial year ended 31 December 2017, which were attended by all its members. Below is a summary of the activities undertaken by the Nomination Committee for the financial year ended 31 December 2017:</p> <ul style="list-style-type: none"><li>• Reviewed, assessed and considered the appointment of Ms Ng Siew Peng as Executive Director of the Company and recommended the same to the Board for approval.</li><li>• Reviewed, assessed and considered the appointment of Encik Muhammad Hanizam bin Hj. Borhan as a member of Risk Management Committee in place of Dato' Sri Tai Hean Leng @ Tek Hean Leng and recommended the same to the Board for approval.</li><li>• Conducted annual assessment on the effectiveness of the Board and Committees covering areas such as Board structure and operation, management relationship with the Board, Board's role and responsibilities, the required mix of skills and experience of</li></ul>

	<p>the Directors, time commitments, skills, characters, experiences, integrity and competencies to effectively discharge the role as a Director and reported the findings in the Board meeting.</p> <p>Upon completion of the assessment, the Nomination Committee noted that the Board and its Committees are considered to be fully effective and have the right composition and sufficient knowledge of related areas. Overall the quality of individual Director was considered strong and the Directors were found to possess the relevant qualifications, knowledge, experience and ability to understand the technical requirements, risk and management of the Company's business. In addition, the Directors have demonstrated a willingness to devote time and effort to the affairs of the Company while acting in good faith and with integrity at all times.</p> <ul style="list-style-type: none"> <li>• Reviewed and assessed the independence of the Independent Directors of the Company.</li> </ul> <p>Based on the evaluation results, the Nomination Committee concluded that each Independent Directors has fulfilled the independence criteria set out in the MMLR and they continue to demonstrate their independence through their engagement in all meetings, providing objective challenge to the Management and bringing independent judgment to decisions taken by the Board.</p> <ul style="list-style-type: none"> <li>• Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to Company's Articles of Association at the 45th AGM.</li> <li>• Reviewed and assessed the independence of Mr Ng Wah Lok and Encik Muhammad Hanizam bin Hj. Borhan, who has served the Company as Independent Director for more than nine (9) years to continue serving as Independent Director and recommended to the Board for consideration.</li> <li>• Reviewed and discussed the succession planning of the Company.</li> <li>• Reviewed and discussed the suitable training programme for continuous development of Directors.</li> <li>• Reviewed and recommended to the Board for approval, the revised Terms of Reference of the Nomination Committee.</li> </ul> <p>The Terms of Reference of the Nomination Committee is available on the Company's website at <a href="http://www.masteel.com.my">www.masteel.com.my</a>.</p>
<p><b>Explanation for departure</b> :</p>	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a remuneration policy and procedures which cover Directors and Senior Management.</p> <p>The remuneration policy and procedures are premised on the need to have an adequate level of remuneration to attract and retain Directors and Senior Management personnel of high calibre and talent. The Board aims to ensure that the remuneration for its Directors and Senior Management are competitive, fair and relevant, taking into consideration all relevant factors including the nature of job, skills, experience and scope of responsibilities, KPI in the job, contributions and performance of the incumbents.</p> <p>The remuneration policy and procedures is available on the Company's website at <a href="http://www.masteel.com.my">www.masteel.com.my</a> and will be reviewed periodically.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee consists wholly of Non-Executive Directors. The membership of the Remuneration Committee is outlined below:</p> <ol style="list-style-type: none"><li>1. Dato' Ikhwan Salim bin Dato' Haji Sujak - Chairman</li><li>2. Mr Ng Wah Lok - Member</li><li>3. Mr Roy Thean Chong Yew - Member</li></ol> <p>The Remuneration Committee reviews and recommends the remuneration of the MD/CEO and Executive Directors in all its forms. The Remuneration Committee ensures the remuneration packages are designed to attract, retain and motivate Directors. The remuneration packages are tailored based on the criteria set out in the Directors' Remuneration Policy. The executive directors are prohibited from participating or in deciding their own remuneration packages.</p> <p>The Remuneration Committee's Terms of Reference is periodically reviewed by the Board and disclosed on the Company's website at <a href="http://www.masteel.com.my">www.masteel.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

## Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied																																																																		
<b>Explanation on application of the practice</b>	:	<p>The details of the remuneration received by the Directors for the financial year ended 31 December 2017 are set out in the financial statements and as follows:</p> <p><u>The Group and the Company</u></p> <table border="1"> <thead> <tr> <th>Directors</th> <th>Fees (RM'000)</th> <th>Salaries (RM'000)</th> <th>Bonuses (RM'000)</th> <th>Other Allowances (RM'000)</th> <th>Total (RM'000)</th> </tr> </thead> <tbody> <tr> <td colspan="6"><b>Executive Directors</b></td> </tr> <tr> <td>Dato' Sri Tai Hean Leng @ Tek Hean Leng</td> <td>25.5</td> <td>920.8</td> <td>115.1</td> <td>37.5</td> <td>1,098.9</td> </tr> <tr> <td>Lau Yoke Leong</td> <td>25.5</td> <td>379.4</td> <td>44.1</td> <td>20.6</td> <td>469.6</td> </tr> <tr> <td>Ong Teng Chun</td> <td>25.5</td> <td>262.8</td> <td>31.5</td> <td>6.7</td> <td>326.5</td> </tr> <tr> <td>Ng Siew Peng</td> <td>-</td> <td>12.6</td> <td>19.3</td> <td>-</td> <td>31.9</td> </tr> <tr> <td colspan="6"><b>Non-Executive Directors</b></td> </tr> <tr> <td>Dato' Ikhwan Salim bin Dato' Haji Sujak</td> <td>25.5</td> <td>-</td> <td>-</td> <td>131.1</td> <td>156.6</td> </tr> <tr> <td>Ng Wah Lok</td> <td>25.5</td> <td>-</td> <td>-</td> <td>62.6</td> <td>88.1</td> </tr> <tr> <td>Roy Thean Chong Yew</td> <td>25.5</td> <td>-</td> <td>-</td> <td>76.1</td> <td>101.6</td> </tr> <tr> <td>Muhammad Hanizam bin Hj. Borhan</td> <td>25.5</td> <td>-</td> <td>-</td> <td>56.2</td> <td>81.7</td> </tr> </tbody> </table> <p>The disclosure is made on the listed issuer level, in accordance with paragraph 11, Part A, Appendix 9C of the MMLR of Bursa Securities. Other than the remuneration from the Company, the Directors do not receive any remuneration from any of the subsidiaries within the Group.</p>	Directors	Fees (RM'000)	Salaries (RM'000)	Bonuses (RM'000)	Other Allowances (RM'000)	Total (RM'000)	<b>Executive Directors</b>						Dato' Sri Tai Hean Leng @ Tek Hean Leng	25.5	920.8	115.1	37.5	1,098.9	Lau Yoke Leong	25.5	379.4	44.1	20.6	469.6	Ong Teng Chun	25.5	262.8	31.5	6.7	326.5	Ng Siew Peng	-	12.6	19.3	-	31.9	<b>Non-Executive Directors</b>						Dato' Ikhwan Salim bin Dato' Haji Sujak	25.5	-	-	131.1	156.6	Ng Wah Lok	25.5	-	-	62.6	88.1	Roy Thean Chong Yew	25.5	-	-	76.1	101.6	Muhammad Hanizam bin Hj. Borhan	25.5	-	-	56.2	81.7
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<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Board is of the opinion that the disclosure of the Senior Management's remuneration components (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group due to confidentiality and security concerns.
		As an alternative to Practice 7.2, please refer to Practice 6.1 on the qualitative aspect of the remuneration policy on the disclosure of the remuneration of senior management.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Mr Roy Thean Chong Yew is an Independent Director and is appointed as Audit Committee Chairman since year 2015. The Chairman of the Board is Dato' Ikhwan Salim bin Dato' Haji Sujak.</p> <p>As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board. Having the positions of Board Chairman and Chairman of the Audit Committee assumed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations.</p> <p>Mr Roy Thean possesses more than 21 years of working experience in local and international professional services firms. He holds the following qualifications:</p> <ul style="list-style-type: none"><li>• Member of the Malaysian Institute of Certified Public Accountants ("MICPA");</li><li>• Malaysian Institute of Accountants ("MIA"); and</li><li>• Chartered Member of Institute of Internal Auditors of Malaysia ("CMIIA").</li></ul> <p>His full profile is available on the Company's website at <a href="http://www.masteel.com.my">www.masteel.com.my</a> and on page 13 of the Annual Report.</p> <p>The duties and responsibilities of the Chairman of the Audit Committee are outlined in the Terms of Reference of the Audit Committee, which is also available on the Company's website</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Terms of Reference of the Audit Committee requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.</p> <p>This is to ensure that the independence of the audit process is safeguarded from the potential threats and conflicts which may arise when a former key audit partner joins the Company.</p> <p>To date, the Company has not appointed any former key audit partner as Director of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Audit Committee is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditor.</p> <p>In safeguarding and supporting external auditors' independence and objectivity, the Company has established an External Auditors Assessment Policy to spell out the selection process of new external auditors, criteria for the annual assessment on the performance of external auditors, basic principles on the prohibition of non-audit services and the approval process for the provision of non-audit services.</p> <p>The Board has determined that the provision of non-audit service contracts which cannot be entered into with the External Auditors include management consulting, strategic decision, internal audit and policy and standard operating procedures documentation. The Board was of view that the objectivity and independence of the External Auditors are not in any way impaired by reason of the non-audit services provided to the Group.</p> <p>The Audit Committee had undertaken an annual assessment on the performance, suitability and independence of the external auditors based on the following areas:-</p> <ul style="list-style-type: none"><li>• Calibre of the external auditors</li><li>• Quality Processes and Performance</li><li>• Audit Team</li><li>• Independence, Objectivity and Professionalism</li><li>• Audit Scope and Planning</li><li>• Audit Fees</li><li>• Audit Communications</li></ul> <p>Based on the assessment results, the Audit Committee was satisfied with the suitability of the external auditors, namely RSM Malaysia ("RSM") and recognised that the provision of non-audit services by RSM for the financial year 2017 did not in any way impair their objectivity and independences as external auditors of the Company.</p>

	<p>Based on the Audit Committee recommendation and having regard to the outcome of the annual assessment of external auditors, the Board had agreed that the re-appointment of RSM as external auditors of the Company be recommended to the shareholders for approval at the forthcoming 46th AGM of the Company.</p> <p>During the financial year, the Audit Committee has also met with the external auditor twice in the absence of Management.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		



**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Audit Committee currently comprises wholly of Independent Non-Executive Directors, namely Mr Roy Thean Chong Yew (Chairman), Mr Ng Wah Lok and Encik Muhammad Hanizam bin Hj. Borhan.</p> <p>The Board firmly believes the Audit Committee would be able to provide impartial and unbiased views along with the relevant check and balances on matters relating to audit of the Company with its current composition.</p>

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All members of the Audit Committee are financially literate. Collectively, the Audit Committee possesses a wide range of necessary skills to discharge its duties.</p> <p>Through the Nomination Committee, the Board reviews the terms of office of the Audit Committee and assess the performance of the Audit Committee annually.</p> <p>All members of the Audit Committee have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. During the reporting year, the Audit Committee members had attended numerous training courses. Details of their training can be seen on page 35 of the Annual Report for 2017.</p> <p>During the Audit Committee Meetings, the Members were briefed by the external auditor on the Financial Reporting developments, adoption of Malaysian Financial Reporting Standards and other changes in regulatory environment.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.1**

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Masteel is ultimately responsible for reviewing the Company’s risks, approving the risk management framework and policy and overseeing the Company’s strategic risk management and internal control framework. The Board has set in place the necessary process to identify, evaluate and manage the significant risks that may impact the business objectives of the Company. An ERM Approach has been adopted to develop an effective and sound ERM.</p> <p>The Board through Risk Management Committee, reviews the key risks identified regularly to ensure sufficient measures are taken to mitigate the risk.</p> <p>The Board receives regular reports from the Chairman of the Risk Management Committee in relation to the potential risks identified, impact of the risks and mitigation of the key risks elements. Any major changes to risks together with the appropriate actions and/or strategies to be taken, will be brought to the attention of the Board by the Chairman of the Risk Management Committee.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Risk Management Committee assists the Board in establishing a sound risk management and internal control framework to manage risks with the overall responsibility for overseeing the risk management activities of the Group and approving the appropriate risk management procedures and measurement methodologies across the Group.</p> <p>With the assistance of an external consultant, an ERM Approach based on an internal recognised risk management framework has been adopted by the Company in year 2016 to develop an effective and sound Risk Management Framework. The Risk Management plan has been implemented followed by bi-annual reviews and updates by Internal Risk Officer.</p> <p>The Risk Management Committee reviews the Group's risk profile, risk appetite and risk tolerance, so as to safeguard the shareholders' investments and the group's assets. During the financial year 2017, six (6) key risks were being assessed. The findings on the risks, impact and mitigation method were presented to the Risk Management Committee.</p> <p>The Board has further received assurance from the MD/CEO and the Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively.</p> <p>Further details are contained in the Statement of Risk Management and Internal Control which is on page 42 to page 43 of the Company's Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### **Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### **Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Risk Management Committee comprises a majority of Independent Non-Executive Directors, namely Mr Ng Wah Lok (Chairman, Independent Director), Encik Muhammad Hanizam bin Hj. Borhan (Independent Director) and Mr Ong Teng Chun (Executive Director).

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has established Internal Audit Department (“IAD”) which assists the Audit Committee in discharge its duties responsibilities. The Head of the Internal Audit reports directly to the Audit Committee Chairman.</p> <p>The IAD provides independent and reasonable assurance, as well as advisory services to add value and improve the operations of the Group. Audit reports were issued to the Audit Committee quarterly incorporating findings, Management’s response and proposed action plan. The Head of Internal Audit follows up on the status of internal findings and ensures that all necessary actions are taken within the required timeframe.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has an in-house IAD and is headed by Mr Fung Kar Lok, with a Master of Business Administration qualification. Mr Fung has accumulated over 10 years’ of experience in areas related to internal audit.</p> <p>The IAD has two personnel comprising the Head of Internal Audit and an audit assistant. All the personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of their work.</p> <p>All internal audit work carried out is guided by The Institute of Internal Auditors (IIA) in International Professional Practices Framework (IPPF).</p> <p>In accordance with the Terms of Reference of the Audit Committee, the Audit Committee had in February 2018 conducted an annual assessment on the performance of the IAD. The Audit Committee was satisfied that the IAD has discharged their responsibilities in a commendable manner, performed competently, functioning effectively and have received sufficient resources and adequate authority in order to carry out their work.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

## Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognizes the importance of maintaining transparency and accountability to its shareholders as a key element of good corporate governance and thus, maintains a high level of disclosure and communication with its shareholders through disclosure to Bursa Securities and to the press.</p> <p>The Board has put in place a Corporate Disclosure Policy and Procedure to ensure compliance with the disclosure requirements as stipulated in the MMLR and also to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.</p> <p>The Board has identified Mr Ng Wah Lok as the Senior Independent Non-Executive Director, to address any valid and appropriate issues raised by shareholders, via his email address at nwl@masteel.com.my.</p> <p>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 analyst briefings, AGM, and Group website.</p> <p>Apart from the mandatory public announcements through Bursa Malaysia, the Company's website, www.masteel.com.my is accessible by the shareholders, investors and members of the public to obtain information on the Company's press releases, corporate information, operation activities and financial performance.</p> <p>The MD/CEO and Senior Management will meet with analysts, institutional shareholders and investors on ad-hoc basis.</p> <p>Masteel is also of the view that the AGM is an important opportunity to meet shareholders and address their concerns. At the AGM, the Chairman will provide a brief overview of the Group's annual operating and financial performance, followed by a Questions and Answers session during which the Chairman encourages shareholders'</p>

	active participation, including clarifying and questioning the Group's strategic direction, business operations, performance and proposed resolutions.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not a Large Company as defined by the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the significance of the AGM as a platform for direct and meaningful communication between the Board and the Company's shareholders.</p> <p>The notices of the last AGM in 2017 and upcoming AGM in 2018 were provided to shareholders at least 28 days before the meeting. This goes above and beyond Section 316(2) of Companies Act 2016 and paragraph 7.15 of MMLR by Bursa Securities which call for a 21-days' notice period for public companies or listed issuers respectively. The additional time given to shareholders allows them to make the necessary arrangements to attend and participate in person through corporate representatives, proxies or attorneys. In addition, the shareholders are accorded with sufficient time to consider the resolutions that will be discussed and decided upon at the AGM.</p> <p>The notice for the AGM outlines the resolutions to be tabled during the meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be decided at the AGM.</p> <p>In order to achieve the widest possible dissemination, the notice of AGM is placed both in a nationally circulated newspaper and the Company's website at <a href="http://www.masteel.com.my">www.masteel.com.my</a> besides being dispatched to shareholders.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	All Directors including the Chair of all the respective Board Committees attended the last AGM to engage directly with shareholders and be accountable for their stewardship of the Company.  The Chairman of the Board encourages shareholders' active participation during AGM and other general meetings by giving sufficient time to the floor during the questions and answers session  The Minutes of the 45th AGM in 2017 was made available on the Company's website in accordance with paragraph 9.21(2) of MMLR.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board regards General Meetings as a key platform for shareholders to exercise their rights and have their “voices” heard through the votes cast by them. In accordance with Paragraph 8.29A(1) of the MMLR of Bursa Securities, all resolutions put to vote will be carried out by poll voting. The Board has always seen good shareholder participation in its previous general meetings and the Board has given foremost consideration to the location of its general meetings to ensure it is easy to reach or easily accessible to shareholders.</p> <p>However, the Board has yet facilitate remote shareholder participation or voting in absentia using technological means as the Company would like to allow for an advocacy period in assessing the cost and benefits of this undertaking.</p> <p>The upcoming 46th AGM scheduled to be held on 21 June 2018 will be held at the Grand BlueWave Hotel Shah Alam. The said Hotel and the surrounding commercial premises have ample parking space, and the venue is in the heart of Shah Alam, familiar to our shareholders and the nearest Shah Alam Commuter Station is about 1.95 km from the Hotel.</p> <p>A shareholder of the Company can vote in person or appoint a proxy to attend and vote on his/her behalf. Voting at the AGM is by poll and the Company utilises an electronic voting system to expedite the voting and facilitate the tabulation process in a seamless manner.</p> <p>An Independent scrutineer will be appointed to validate the votes cast at the upcoming AGM. Shareholders who are unable to attend the AGM are allowed to vote via proxy. In order to facilitate more seamless proceedings at the upcoming AGM, the voting process will be conducted via electronic means.</p>

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA  
MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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