



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 incorporates the Principles and Practices of the MCCG, as considered appropriate, Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”) on corporate governance, certain aspects of the Company’s Constitution and relevant portions of the Companies Act 2016 in so far as the duties and responsibilities of Directors are concerned.

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. To the extent of any conflict between the terms of this Board Charter and the Company’s Constitution, the Constitution prevails.

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. The matters listed in **Appendix A** are reserved for the collective decision of the Board.

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

- together with senior management, promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour;
- review, challenge and decide on management's proposals for the Company and monitor its implementation by management;

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- ensure that the strategic plan supports long-term value creation and includes strategies on economic, environmental and social consideration underpinning sustainability;
 - supervise and assess the Management's performance to determine whether the business is being properly managed 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;
 - ensure there is a sound framework for internal controls and risk management;
 - understand the principal risks of the Company's business and recognise that the business decision involve the taking of appropriate risk;
 - set the risk appetite within which the Board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
 - ensure senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and senior management;
 - ensure the Company has in place procedures to enable effective communication with stakeholders; and
 - ensure the integrity of the Company's financial and non-financial reporting.

3. Board Structure

3.1. Board Balance and Composition

The Board should be of a size and composition with the benefit of diversity in experience, cultural backgrounds, age, gender, 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. The Board acknowledged the importance to promote gender diversity and does not set a restriction on having female director(s) on the Board.

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. To foster greater objectivity in the boardroom, and in line with the Practice 4.1 of MCCG 2017 at least half of the Board shall comprise independent Directors.

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. Further, 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 variety of independent sources to identify suitably qualified candidates. 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 or Director not to have sufficient time to attend to his role and responsibility as member of the Board. In such event, the Director must decide to elect which directorship he is to keep. Each Board member must not hold directorships at more than five (5) listed issuers.

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;

- setting the board agenda and ensuring the provision of accurate, timely, complete and clear information to Directors;
- encouraging active participation and allowing dissenting views to be freely expressed;
- managing the interface between board and Management;
- leading the board in establishing and monitoring good corporate governance practices in the Company;
- 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.

3.4 Role of Individual Directors

The principal roles of individual Directors include, amongst others:

- review and adopt a successful, profitable and sustainable strategic plan for the Company;
- oversee the conduct of the company's business to evaluate whether the business is being properly managed;
- succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing senior management;
- develop and implement an investor relations programme or shareholder communication policy for the Company; and
- review 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.

3.5 Role of Independent Director

The role of Independent Directors is to constructively challenge and help develop proposals on strategy include, inter alia:

- to make independent assessment of the information, reports or statements, having regard to the Directors' knowledge, experience and competence, to provide independent view and demonstrate objectivity in reviewing and challenging the management's proposals at meetings;
- to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes, so as to keep abreast of industry issues, market development and trend, and enable them to sustain their active participation in board deliberations; and

- act as a channel of communication between Management, shareholders and other stakeholders, and provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied.

3.6 Role of Senior Independent Director

The Board may appoint a senior Independent Director to whom shareholders' concerns can be conveyed if there are reasons that contact through the normal channels of the Chairman or the MD/CEO have failed to resolve them.

The role of Senior Independent Director include, amongst others:

- act as a sound board for the Chairman;
- ensure all independent directors have opportunity to input on the agenda, and advise the Chairman on the quality, quantity and timeliness of the information submitted by management that is necessary or appropriate for the independent directors to perform their duties effectively;
- consult the Chairman regarding board meeting schedules to ensure the independent directors can perform their duties responsibly and with sufficient time for discussion of all agenda items; and
- serve as the principal conduit between the Independent Directors and the Chairman on sensitive issues.

3.7 Tenure of Directors

In line with the MCCG 2017, the tenure of an Independent Director should not exceed a cumulative term of nine (9) 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.

3.8 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 Chairman;
- 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; advise the board on its roles and responsibilities;
- facilitate the orientation of new directors and assist in director training and development;
- advise the board on corporate disclosures and compliance with company and securities regulations and listing requirements;
- manage processes pertaining to the annual shareholder meeting;
- monitor corporate governance developments and assist the board in applying governance practices to meet the board's needs and stakeholders' expectations;
- serve as a focal point for stakeholders' communication and engagement on corporate governance issues; and
- providing full access and services to the Board and carrying out other functions deemed appropriate by the Board from time to time.

3.9 **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.

3.10 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. All the Directors shall attend the AGM and/or EGM unless with valid justifications for non-attendance.

Key ingredients behind this include the supply of comprehensive and timely information to shareholders and the encouragement of active participation at the AGM and/or EGM.

The Board will focus its efforts on the following best practices to enhance the effectiveness of the General Meeting:

- ensure that each item of special business included in the notice to be accompanied by a full explanation of the effects of the proposed resolution;
- inform shareholders of their rights to demand for a poll vote at the commencement of general meetings subject to the Company's Constitution;
- for election of Directors, ensures that the notice of meeting state which Directors are standing for election with a brief description to include matters such as age, relevant experience, list of directorships, date of appointment to the Board, details of participation in board committee and the fact that a particular Director is independent;

- ensure that the Chairman provides reasonable time for discussion at the meeting. Where appropriate and if required, the Chairman will also undertake to provide written answer to any significant question which cannot be answered immediately; and
- conduct a business presentation with a question and answer session, where appropriate and if required.

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 five (5) business 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.

The Board assisted by the Nomination Committee, shall on continuous basis discuss, assess and determine the training needs of the Directors and disclose in the annual report the trainings attended by the Directors. In special circumstances, valid justifications for non-attendance at any training by Directors for the financial year shall also be disclosed.

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

The Company's Constitution 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 ("CA").

Should there be an actual, potential or perceived conflict of interest between the Company and a Director, or an associate of a Director such as a spouse, other family member, or a related company (as defined under Section 197(1) of the CA), the Director involved shall make full disclosure and act honestly in the best interest of the Company:

- a) Director shall immediately inform the Audit Committee in respect of their direct and indirect interests in any businesses or corporations which carry on similar trade as that of the Group; and
- b) Every Director shall comply with the provisions of Sections 219 and 221 of the CA in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any

office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.

And the interested Directors shall abstain from deliberation and voting on the resolutions relating to those matters or transactions.

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. Review

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

Date: 25 April 2019

APPENDIX A

MATTERS RESERVED FOR COLLECTIVE DECISION OF THE BOARD

The authorities of the Board are specified below. The authorities may be varied from time to time as determined by the Board.

Conduct of the Board

- (i) Appointment and recommendation for the removal of Directors
- (ii) Appointment and removal of Company Secretaries
- (iii) Appointment of Board committees and members, following recommendations by the Nomination Committee
- (iv) Approval of terms of reference of Board committees and amendments to such terms
- (v) Appointment of senior executive positions, including that of the Chairman, MD/CEO and Executive Directors of the Company, following recommendations by the Nomination Committee
- (vi) Continuation in office of Directors at the end of their term of office, when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate
- (vii) Appointment, reappointment or removal of the External Auditors to be put to shareholders for approval in general meeting, following the recommendation of the Audit Committee

Remuneration

- (i) Approval/recommendation of the Directors' fee/remuneration arrangements for Non-Executive Directors
- (ii) Approval of the remuneration structure and policy for the MD/CEO, Chief Financial Officer and Executive Directors
- (iii) Approval of the remuneration packages of the MD/CEO, Chief Financial Officer and Executive Directors

Operational

- (i) Approval of the Limits of Authority of the Management of the Company
- (ii) Approval of Group's business strategy and operational plan
- (iii) Review of operational performance against Group's business strategy and operational plan, including monitoring of key risks and risk management policies and actions
- (iv) Approval of investment or divestment of a capital project which represents a significant diversification from the existing business activities
- (v) Approval of investment or divestment in a company/business/property/undertaking
- (vi) Approval of changes in major activities of the Company/Group
- (vii) Approval of treasury policies and Bank mandate
- (viii) Oversight of the Group's operations ensuring:

- Competent and prudent management
- Sound planning
- Maintenance of sound management and internal control systems
- Adequate accounting and other records
- Compliance with statutory and regulatory obligations

Financial

- (i) Approval of interim and annual financial statements
- (ii) Approval for the release of financial announcements
- (iii) Approval of the annual Directors' Report, Annual Report and Statutory Audited Accounts
- (iv) Approval of interim dividends, the recommendation of final dividends and the making of any other distribution
- (v) Approval of financing facilities and arrangements

Corporate Governance Matters

- (i) Undertaking a formal and rigorous annual review of the performance of committees and individual directors
- (ii) Determining the independence of Non-Executive Directors in light of their character, judgement and relationships
- (iii) Authorising conflict of interest where permitted by the Company's constitution

Other Matters

- (i) The granting of powers of attorney by the Company
- (ii) The entering into any indemnities or guarantees
- (iii) Issuance of any debt instruments
- (iv) Conflict of interest issue relating to a substantial shareholder or a Director including approving related party transactions
- (v) Any other significant business decision
- (vi) Any other matters requiring the convening of a general meeting of shareholders or any class of shareholders
- (vii) Any other matters as may be required by the laws or the governing authorities