

STOCK CODE : 9881
COMPANY NAME : LEADER STEEL HOLDINGS BERHAD
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 PURSUANT 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee and the Board meet with representative from Management on a quarterly basis where Management report on the performance and results of the business of the Company and the Group which are benchmarked against last year.</p> <p>During 2017, the Board also discussed sustainability topics such as succession planning and business development. In accepting report on risk management, the Board noted identification of risks which focussed on strategic, operational and financial aspects as well as mitigation of the same.</p> <p>The Board has established clear functions reserved for the Board and those delegated to Management. The Board is responsible for the overall business framework within which the Group operates. This is formalised into a schedule of events that is reserved for the Board and these included determining overall group strategy and direction to approving acquisitions and divestments, business plan, budgets, capital expenditures, quarterly and annual financial results as well as monitoring financial and operational performance against targets. Management is responsible for the execution of activities to meet corporate plans as well instituting various measures to ensure due compliance with various governing legislations.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Tan Sri Dato' Mohd Desa bin Pachi is the Independent Non-Executive Chairman of the Board. His profile is outlined under the Profile of Directors sub-section in the Annual Report 2017.</p> <p>Tan Sri Chairman leads governance activities on the Board in order to create a conducive condition geared towards building and growing Directors' effectiveness and ensure that appropriate issues are discussed by the Board in a timely manner. Essentially, Chairman ensures that no member dominates discussion so that appropriate discussions takes place and that relevant opinions among members is forthcoming.</p> <p>Tan Sri Chairman also ensures that every Board resolution is put to vote with the will of majority to prevail. He also chair the general meetings and ensure that the conduct of the same in order by ensuring proper flow of resolutions tabled at the meeting and managing communication from the shareholders. He encourages active participation from shareholders during the questions and answers session.</p> <p>The roles and responsibilities of the Chairman of the Board are stated in the Board Charter, which is available on the Company's website at www.leadersteel.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Tan Sri Dato' Mohd Desa bin Pachi is the Independent Non-Executive Chairman of the Board whilst Datin Tan Pak Say is the Managing Director of the Company and assumed the role of CEO as well. Their profiles are outlined under the Profile of Directors sub-section in the Annual Report 2017.</p> <p>The Board has always made the distinction that the position of the Chairman and Managing Director does not reside with the same person. Such division provides for organisational check and balance for better governance. There is a clear and separate division of responsibility in the roles and duties of the Chairman and Managing Director.</p> <p>The respective duties and responsibilities of the Chairman and the Managing Director are contained in the Board Charter which is published on the corporate website at www.leadersteel.my</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Both Company Secretaries of the Company are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 as both are members of the MAICSA (Malaysian Institute of Chartered Secretaries & Administrators).</p> <p>The Company Secretaries are responsible for advising the Board on regulatory requirements and corporate governance matters.</p> <p>The Company Secretary, or her assistant, is present at all meetings to record deliberation, issues discussed and conclusions in discharging her duties and responsibilities and also provide advice in relation to relevant guides and legislations.</p> <p>Other roles of the Company Secretary included coordinating with Management on the preparation of Board papers with management, ensure Board procedures and applicable rules are observed and maintaining records of the Board as well as provide timely dissemination of information relevant to the Directors’ roles and functions and keeping them updated on evolving regulatory requirements.</p> <p>The Company Secretaries’ responsibilities are set out in the Board Charter.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The agenda and board papers for consideration are distributed seven (7) days in advance before each meeting to ensure that Directors have sufficient time to study them and be properly prepared for discussion and decision-making.</p> <p>Board materials deemed sensitive would be embargoed for release only at time of meeting.</p> <p>Minutes are prepared for all Board and Board Committees’ proceedings and will be confirmed and signed by the respective Chairman at the subsequent meetings.</p> <p>The Directors, whether as full Board or in their personal capacity, may upon approval from the Board, seek independent professional advice if required, in furtherance of their duty, at the Group’s expense.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	There is a Board Charter in place which clearly sets out the Board's strategic roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter also serves as a primary reference point on governance matters for Directors as it defines the roles and responsibilities of the Board, Board Committees, Chairman, Managing Director, Executive Director, Non-Executive Directors, Independent Directors and Company Secretary as well as Schedule of Matters Reserved for collective decision of the Board.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group is committed to maintaining high standards of ethics, professionalism and integrity in all business dealings. As such, the Group has Code of Conduct for Directors and Code of Ethics in place.</p> <p>Reading together, these reflect Board’s commitment and underscored tone from the top for proper ethical values and behavior expected of the Directors and employees. These documents provide guidance to Directors and employees in their decision-making in that these are correct and comply with high ethical standards particularly those work-related decisions which are highly judgmental.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The Group can rely upon the provisions of the Whistleblower Protection Act which came into effect in 2010. As such, there is no need to establish a separate whistleblowing policy at this juncture.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The current Board comprised of eight (8) members with three (3) being Independent Non-Executive Directors (“INEDs”). The Board is in compliance with Chapter 15.02 of the Main Market Listing Requirements (“MMLR”) of Bursa Securities (Bursa Malaysia Securities Berhad), which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are Independent Directors</p> <p>The Board is mindful that the Board does not comprise at least half of INEDs as it is of the view that the present INEDs, with the breadth of professional background, have enabled the Board to exercise objective judgement on various issues through their sharing of impartial, objective and unbiased opinion and viewpoints.</p> <p>The presence of an Independent Non-Executive Chairman together with that of a Senior INED affirmed the Board’s commitment towards independence in Board leadership and provide strong check and balance and counterweight in the Board functioning. Therefore, the lack of the necessary number of INEDs has not jeopardise the independence of Board deliberations and all decisions have been made in the best interest of the Company.</p> <p>Nonetheless the Board will address Board succession planning in the near future to ensure that INEDs form 50% of Board composition.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The concept of independence adopted by the Board is in tandem with the definition of an Independent Director under para 1.01 and Practice Note 13 of the MMLR of Bursa Securities. The key elements for fulfilling the criteria are the appointment of independent Directors who are not members of Management (non-executive) and who are free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company.</p> <p>As at to-date, Mr Lim Leng Han and Encik Mohd Arif Bin Mastol have served the Board as INEDs for more than 12 years since their appointment on 25 July 1994 and 28 June 2002 respectively.</p> <p>Notwithstanding their long tenure of service, both INEDs have served the Board well. Their presence together with that of the Independent Non-Executive Chairman had ensured that issues of strategies, performance and resources proposed by the Management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, and other communities in which the Group conducts its business.</p> <p>At the annual general meeting ("AGM") last held on 25 May 2017, the shareholders approved unanimously the separate resolutions, by way of poll, to retain Mr Lim Leng Han and Encik Mohd Arif Bin Mastol as INEDs.</p> <p>Following annual assessment, the Board had recommended for Mr Lim Leng Han and Encik Arif Bin Mastol to continue as INEDs subject to shareholders' approval at the forthcoming AGM. Key justifications to retain them as INEDs are as follows:</p> <ul style="list-style-type: none">(a) They have remained objective and independent in expressing their views during deliberation and decision-making of the Board and the Board Committees. Their judgment is not clouded by familiarity.(b) They had fulfilled the criteria on independence as prescribed by Bursa Securities and therefore able to bring element of objectivity and impartiality that provide check and balance to the executive team.(c) They provided the Board with a diverse set of experience, skill and expertise.

	<p>(d) They had carried their duties diligently and had participated actively during deliberations of both Board and Board Committees by bringing different perspectives and balanced assessment to deliberation and decision-making.</p> <p>(e) They understand the business and operations of the Group as they have been with the Company for a long period of time. Therefore, they are able to participate effectively during meetings.</p>
	<p>The Company had decided to maintain present voting practice.</p> <p>Also, there may be potential legal implication if the Company opted to go for 2-tier as this would be inconsistent with the 1 share 1 vote stand under Companies Act 2016. The Company would like to allow an advocacy period for the awareness and implications of the 2-tier voting to be better understood.</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>Measure :</p>	
<p>Timeframe :</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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	This is Not Adopted in view that the Company does not fall within the definition of "Large Companies".

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supportive of diversity on the Board and in senior management team. Appointment of Board and senior management personnel are based on objective criteria, merit and also due regard for diversity in experience, skills set, age and cultural background.</p> <p>The current Directors, with their diverse background and professional specialization, collectively, bring with them a wealth of experience and expertise in areas such as general management and operations, law, commercial, finance and accounting, corporate affairs, manufacturing as well as sales and marketing.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supportive of gender diversity on the Board and in senior management. The presence of two executive Board members (Managing Director and Executive Director) on the Board testified to the Group’s commitment on gender diversity. The presence of two (2) female Directors on the Board reflected a 25% female representation on the Board.</p> <p>The Board is of the view that the Company has met the gender diversity target as its female representation is above average and very much higher than 19.1% recorded by Top 100 companies in 2017. The Group has gender diversity in its management team with over 31.3% female representation.</p> <p>It must be noted that the Board and the Company’s primary responsibility is the strength of the Board and the principal aim that new appointments must always be to select the best candidate available. Whilst acknowledging the recommendation of the Code on gender diversity, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. The Nomination Committee (“NC”) and the Board, will consider gender diversity as part of its future selection and will look into increasing female board representation going forward.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>Ms Goh Wan Jing was appointed as Executive Director on 31 March 2017. An assessment of her candidacy was carried out by the Nomination Committee. Ms Goh's candidacy was an internal search and integral part of the executive Board members' succession planning to groom new leader for the Group going forward.</p> <p>The Board will consider recommendation of potential candidates from existing Board members, Management or major shareholders including independent sources.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The NC comprised strictly of INEDs and the present composition is as follows:</p> <ul style="list-style-type: none">- Tan Sri Dato' Mohd Desa Bin Pachi, Chairman- Mr Lim Leng Han, member- Encik Mohd. Arif bin Mastol, member <p>The NC's key duties encompassed the following:</p> <ul style="list-style-type: none">(a) Recommend to the Board candidates to the Board and Board Committees with due consideration for their skills set, knowledge, education, qualities, expertise and experience; professionalism; integrity, time commitment, contribution, board room diversity and other factors that will best qualify a nominee to serve on the Board; and for the position of INEDs, the ability to discharge such responsibilities/functions as expected;(b) Assist the Board to review regularly the Board structure, size and composition and the which Non-Executive Directors should bring to the Board;(c) Assess the effectiveness of the Board, Board Committees and the contributions of each individual Director, including the independence of INEDs, as well as the CEO and CFO (where these positions are not Board members), based on the criteria, process and procedures laid out by the Board; and to provide the necessary feedback to the Board. The criteria would include, among others, required mix of skills and experience and other qualities including core competencies. All assessments and evaluations carried out are documented;(d) To recommend to the Board, Directors who are retiring by rotation to be put forward for re-election; and(e) To evaluate training needs for directors annually. <p>During the year under review, key activities undertaken by the Committee are summarized as follows:</p> <ul style="list-style-type: none">(a) Reviewed the composition, mix of skills and experience and other qualities, including core competencies as well as contribution of each individual Director and the effectiveness of the Board as a whole and the Board Committees drawing upon the guidance in Directors' Performance Assessment Policy with the aim of achieving balance of views on the Board.(b) Reviewed the level of independence of the INEDs.(c) Discussed the character, experience, integrity and competence of the Directors, chief executive or chief financial officer and to ensure they have the time to discharge their respective roles.(d) Reviewed and recommended INEDs who have served the Company for a cumulative term of more twelve years, for retention as INEDs at the Company's AGM.(e) Discussed and recommended the re-election of Directors at AGM.

	The Terms of Reference of NC is accessible for reference on the Group's website, www.leadersteel.my .	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The NC undertakes annual assessment of the effectiveness of the Board, the Board Committees and the contribution of each individual Director on an annual basis.</p> <p>All assessments and evaluations carried out by the NC in the discharge of all its functions are documented.</p> <p>The assessment is performed on a Board review or self-assessment basis. All Directors are provided with the same set of assessment forms for their completion. The results of all assessments and comments by Directors are summarised and tabled at the NC meeting. The Chairman of the NC will report the results and deliberation to the Board.</p> <p>The criteria used in the assessment of the Board and the Board Committees focussed on board mix and composition, quality of information and decision-making, boardroom activities, Board’s relationship with management and board committees.</p> <p>The assessment of individual Director focussed on fit and proper, contribution and performance, calibre and personality, skills set and independence.</p> <p>The assessment in respect of financial year ended 31 December 2017 was carried out with the results deemed satisfactory by the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The objective of the Group’s Remuneration Policy is to attract and retain the Directors required to lead and control the Group effectively.</p> <p>The executive Board members played no part in deciding her own remuneration and the respective Board members shall abstain from all discussion pertaining to their remuneration.</p> <p>In the case of the executive Board members, the components of the remuneration package are linked to individual and corporate performance. As for Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities. The Directors’ fees reflect the broad based role and responsibilities as well as time commitment to the Group that go with Board membership.</p> <p>The Remuneration Policy and TOR are available for reference on the Company’s website at www.leadersteel.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The RC comprised strictly of INEDs and the present composition is as follows:</p> <ul style="list-style-type: none"> - Tan Sri Dato' Mohd Desa Bin Pachi, Chairman - Mr Lim Leng Han, member <p>On 22 February 2018, Dato' Goh Cheng Huat stepped down as member of the Remuneration Committee in line with Practice 6.2 for the Committee to comprise solely of NEDs. The Board will look into the replacement in due course.</p> <p>The key duties of the Committee included the following:</p> <ul style="list-style-type: none"> (a) To determine and recommend to the Board the framework for the remuneration, in all forms, of the executive Board members and/or any other persons as the Committee is designated to consider by the Board, drawing from outside advice as necessary. (b) To implement/ maintain a reward system for the executive Board members based on their performance against the Company's results. The following factors shall be taking into consideration in determining the quantum of remuneration: position and scope of work, long term objectives of the Group, complexities of Group activities, individual performance, length of service, experience and mark-to-market salary. <p>The Terms of Reference of Remuneration Committee is accessible for reference on the Group's website, www.leadersteel.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied																																																																
Explanation on application of the practice	:	<p>The remuneration of the Directors of the Company for FY2017 which is paid/payable is as tabulated:</p> <table border="1"> <thead> <tr> <th rowspan="2">Directors</th> <th colspan="2">Received or to be received or to be received from the Company (RM)</th> <th colspan="2">Received or to be received or to be received from the Group (RM)</th> <th rowspan="2">Total</th> </tr> <tr> <th>Fees</th> <th>Allowances¹</th> <th>Salaries²</th> <th>Benefits-in-kind</th> </tr> </thead> <tbody> <tr> <td>Tan Sri Dato' Mohd Desa Bin Pachi</td> <td>25,000</td> <td>49,500</td> <td>-</td> <td>-</td> <td>74,500</td> </tr> <tr> <td>Lim Leng Han</td> <td>25,000</td> <td>5,500</td> <td>-</td> <td>-</td> <td>30,500</td> </tr> <tr> <td>Mohd Arif Bin Mastol</td> <td>25,000</td> <td>5,000</td> <td>-</td> <td>-</td> <td>30,000</td> </tr> <tr> <td>Tan Sri Dato' Soong Siew Hoong</td> <td>25,000</td> <td>2,500</td> <td>-</td> <td>-</td> <td>27,500</td> </tr> <tr> <td>Datuk Abdullah Bin Haji Kuntom</td> <td>25,000</td> <td>2,500</td> <td>-</td> <td>-</td> <td>27,500</td> </tr> <tr> <td>Datin Tan Pak Say</td> <td>25,000</td> <td>2,500</td> <td>1,227,279</td> <td>23,950</td> <td>1,278,729</td> </tr> <tr> <td>Dato' Goh Cheng Huat</td> <td>25,000</td> <td>1,500</td> <td>-</td> <td>10,958</td> <td>37,458</td> </tr> <tr> <td>Goh Wan Jing</td> <td>25,000</td> <td>2,000</td> <td>252,621</td> <td>13,157</td> <td>292,778</td> </tr> <tr> <td>Grand total</td> <td>200,000</td> <td>71,000</td> <td>1,479,900</td> <td>48,065</td> <td>1,798,965</td> </tr> </tbody> </table> <p>Note: ¹ Allowances include meeting allowances ² Bonus, EPF and SOCSO are included herein</p>	Directors	Received or to be received or to be received from the Company (RM)		Received or to be received or to be received from the Group (RM)		Total	Fees	Allowances ¹	Salaries ²	Benefits-in-kind	Tan Sri Dato' Mohd Desa Bin Pachi	25,000	49,500	-	-	74,500	Lim Leng Han	25,000	5,500	-	-	30,500	Mohd Arif Bin Mastol	25,000	5,000	-	-	30,000	Tan Sri Dato' Soong Siew Hoong	25,000	2,500	-	-	27,500	Datuk Abdullah Bin Haji Kuntom	25,000	2,500	-	-	27,500	Datin Tan Pak Say	25,000	2,500	1,227,279	23,950	1,278,729	Dato' Goh Cheng Huat	25,000	1,500	-	10,958	37,458	Goh Wan Jing	25,000	2,000	252,621	13,157	292,778	Grand total	200,000	71,000	1,479,900	48,065	1,798,965
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Explanation for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure								
Explanation on application of the practice	:									
Explanation for departure	:	<p>The Company adopts a remuneration system that is responsive to the market elements and performance of the Group and business divisions respectively.</p> <p>The Board acknowledged the need for transparency in the disclosure of its senior management remuneration. Nonetheless, it is of the view that such disclosure could be detrimental to its business interests given the highly competitive human resource environment in which the Group operates where intense headhunting for personnel with the right expertise, knowledge and relevant working experience is the norm. As such, disclosure of specific remuneration information could rise to recruitment and talent retention issues going forward.</p> <p>The remuneration of the top five senior management personnel (who are not Directors or Executive Directors) of the Group for this financial year are set out below in remuneration bands of RM50,000.</p> <table border="1"> <thead> <tr> <th>Range of Remuneration</th> <th>Top 5 Senior Management Team</th> </tr> </thead> <tbody> <tr> <td>RM400,000 – RM450,000</td> <td>1</td> </tr> <tr> <td>RM300,000 – RM350,000</td> <td>2</td> </tr> <tr> <td>RM200,000 – RM250,000</td> <td>2</td> </tr> </tbody> </table>	Range of Remuneration	Top 5 Senior Management Team	RM400,000 – RM450,000	1	RM300,000 – RM350,000	2	RM200,000 – RM250,000	2
Range of Remuneration	Top 5 Senior Management Team									
RM400,000 – RM450,000	1									
RM300,000 – RM350,000	2									
RM200,000 – RM250,000	2									
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>										
Measure	:									
Timeframe	:									

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	This is Not Adopted in view that the Company does not fall within the definition of "Large Companies".

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Board is Tan Sri Dato' Mohd Desa Bin Pachi while Mr Lim Leng Han, the Senior INED, is the Chairman of the Audit Committee.</p> <p>Details on the composition, TOR and other pertinent facts of the AC is outlined under the AC Report in this Annual Report. The scope of the external auditors is ascertained by the AC, with a twice-a-year meeting held between the AC and the external auditors in the absence of executive Board members and management staff.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	As at-date, the Company has not appointed a former audit partner from its external auditors to be a member of its Audit Committee. As such, there was no need to establish such policy presently. Such a policy would be established when the need arises in future. The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC was a key audit partner.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Under its TOR, the AC reviews the suitability, objectivity and independence of the external auditor of the Company on an annual basis. The review process covers the assessment of the independence of the external auditor, the evaluation of the external auditor's performance, competency, quality of work, audit fees and the adequacy of resources.</p> <p>The Audit Committee meets with the external auditors at least twice (2) a year to discuss their audit plan and audit findings. At least once a year and whenever necessary, the Audit Committee met with the external auditors without the presence of executive Board members or management personnel, to allow the AC and the external auditors to exchange independent views on matters which require the AC's attention.</p> <p>The AC has considered the non-audit services provided by the external auditors during financial year under review and concluded that the provision of these services did not compromise the external auditors' independence and objectivity. The amount of fees paid for these services was not significant when compared to the total audit fees paid to the external auditors.</p> <p>The external auditors have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence rules of the Malaysian Institute of Accountants.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	This is Not Adopted in view that the Company does not fall within the definition of "Large Companies".

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The AC currently comprised of members with professional experience in financial, legal and public service environment. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the AC the ability to effectively discharge their roles and responsibilities.</p> <p>Upon review of the outcome of the Audit Committee effectiveness assessment carried out by the NC during the year, the Board is satisfied with the AC’s performance and capability as its Chairman and members possessed the necessary knowledge, experience and skills necessary for the overall effectiveness of the AC.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors recognises the importance of sound internal controls which encompass risk management practices as well as financial, operational and compliance controls on a quarterly basis. In this respect, the Board affirms its overall responsibility for the Group’s systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems.</p> <p>The Statement on Risk Management and Internal Controls in this Annual Report provides an overview on the state of internal controls and risk management within the Group.</p> <p>Continuous reviews are carried out by the Group’s internal audit function and management to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. The findings of the internal audit function are reported to the AC regularly.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Risk assessment, monitoring and review of the risks faced by the Group are continuous processes within the key operating units with the Risk Management Committee (a Management level Committee) playing key oversight function as delegated by the Board of Directors.</p> <p>The Board has further received assurance from the Managing Director and Executive Directors that the Group’s risk management and internal control systems are operating adequately and effectively.</p> <p>The Statement on Risk Management and Internal Control in this Annual Report provides an overview on the state of internal controls and risk management within the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Adopted
Explanation on adoption of the practice	:	There is a Risk Management Committee in place which undertakes regular risk reviews on the Group's businesses and operations. An analysis of the risks identified together with proposed mitigating actions are tabled to the AC annually. The AC will report to the Board on exception basis if there was any change in the risks identified.

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function is independent of the operations of the Group and is outsourced to a competent consulting firm which is sufficiently resourced to provide the services that meet with the Group's required service level.</p> <p>The internal auditors report directly to the Chairman of the AC. The AC reviews and approves the Internal Audit Plan annually and ensures that the internal auditors are accorded with appropriate standing and authority to facilitate the discharge of its duties. Audits of the practices, procedures, expenditure and internal controls of identified business and support units and subsidiaries are undertaken on a regular basis.</p> <p>The service provider has been able to provide reasonable assurance that the Group's system of internal control and risk management is satisfactory and operating effectively. The internal auditors adopt a risk-based approach towards the planning and conduct of their audits, and this is consistent with the Group's approach in designing, implementing and monitoring its internal control and risk management system.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The AC has received the confirmation form the internal auditors that they have adopted internal audit standards and best practices based on the International Professional Practices Framework (IPPF), endorsed by the Institute of Internal Auditors Malaysia.</p> <p>The total expenses incurred for the internal audit work during FY2017 was approximately RM26,000 (FY2016: RM34,000).</p> <p>The activities of the internal auditors during the financial period are set out in the AC Report in this Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group is committed to maintaining regular, transparent, coherent, timely and equitable dissemination of relevant and material information on the development of the Group to shareholders and stakeholders whilst balancing commercial confidentiality and regulatory considerations.</p> <p>The timely dissemination of these information is a part of the Company's efforts to ensure transparency and good governance.</p> <p>The Group aims to build long-term relationships with shareholders and potential investors through appropriate channels for disclosure of information such as Annual Report, quarterly results, analyst briefings, announcement to Bursa Malaysia and corporate website.</p> <p>Investors are provided with sufficient business, operational and financial information on the Group to enable them to make informed investment decisions.</p> <p>The Managing Director is the designated spokesperson for all matters related to the Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by the Board.</p> <p>The Group maintains a website at www.leadersteel.my for shareholders and the public to access information on, amongst others, the Group's background and products, announcements and financial performance. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. The website also post all press releases made by the Group together with latest news on the Group.</p> <p>At all times, shareholders may contact the Company through the Company Secretaries for information.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	This is Not Applicable to the Company in view that the Company does not fall within the definition of "Large Companies".	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board encourages shareholders' participation and as such, the AGM is an important event as the Board is given the opportunity to have a dialogue with the shareholders following presentation of annual audited financial results and to address any questions that may arise. The Directors, Company Secretary and the Group's external auditors are available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.</p> <p>The notice of AGM is sent at least twenty-eight (28) days before meeting date to shareholders and is published in a major local newspaper. Items of special business included in the Notice of Annual General Meeting will be accompanied by an explanation of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. All suggestions and comments put forth by shareholders will be noted by the Board for consideration. The Directors attend the AGM to answer any such questions that may arise as shareholders may seek more information than what is available in the Annual Report and/or circulars.</p> <p>The Board is satisfied with the current programme at AGM and there have been no major contentious issues noted with shareholders/investors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	All the Directors attended, in person, the AGM held on 25 May 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Based on the past trend of number of investors, the Company does not have a large number of shareholders to warrant voting in absentia and/or remote shareholders' participation at AGM. The number of shareholders hover around 2,400 on a monthly basis.</p> <p>Further, all general meetings are held at the Company's premises which is easily accessible to all shareholders.</p> <p>As of now, the Company encourages participation of shareholders through the issuance of proxies when the said shareholders are unable to attend and vote in person at general meetings and maintain the same location for the AGM for the past years.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
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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