

## **Board Charter**

### **1. Preamble**

The enhancement of corporate governance standards is vital towards the achievement of the objectives of transparency, accountability and effective performance for Leader Steel Holdings Berhad (“the Company”) and its subsidiaries (hereinafter referred to as “the Group”). Accordingly, this Board Charter (“Charter”) is established with the aim of enshrining the concepts of good governance as promulgated in the Malaysian Code on Corporate Governance and its revision in 2017 (“Code 2017”).

This Charter does not overrule or pre-empt the statutory requirements of Directors as enshrined in the Companies Act 2016, the Income Tax Act 1967 and other relevant statutes, including the conduct of the Board as stipulated in the Articles of Association which is the Constitution of the Company. To the extent of any conflict between the terms of this Charter and a Constitution, that Constitution prevails.

### **2. Interpretation**

### **3. Objectives of the Board**

The Board is accountable to Shareholders and is responsible for the stewardship of the Group’s Business and affairs on behalf of the Shareholders. Significantly, 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 and maintaining high standards of transparency, accountability and integrity.

Additionally, often, 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.

### **4. Role of the Board**

The Board’s role is to provide leadership of the Group within a framework of prudent and effective controls which enables risk to be assessed and managed.

The Board has delegated certain responsibilities to committees which operate in accordance with the Charter approved by the Board and delegated the day to day Management of the Business of the Group to Management, executive officer and MD subject to an agreed authority limit.

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

- reviewing and adopting a strategic plan for the Group to ensure sustainability of its business and Group operations;
- overseeing the conduct of the Group’s Business to evaluate whether the Business is being properly managed notwithstanding that some of the subsidiaries have separate Board of Directors;
- identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;

## **Board Charter**

### **4. Role of the Board (cont'd)**

- succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Board members and senior management;
- developing and implementing an investor relations programme or shareholder communications policy for the Group;
- reviewing the adequacy and the integrity of the Group's risk management, internal control systems and management information systems, including systems/reporting framework for compliance with applicable laws, regulations, rules, directives and guidelines;
- determining the remuneration of Non-Executive Directors, with the individuals concerned abstaining from discussions of their own remuneration;
- ensuring that the Company's financial statements are true and fair and other conform with the laws; and
- ensuring that the Company adheres to high standards of ethics and corporate behaviour.

In overseeing the conduct of the Group's business, the Board shall ensure that an appropriate financial planning, operating and reporting framework as well as an embedded risk management framework is established. Elements under this combined framework include the Business Plan, the budget, financial statements, divisional strategic/performance reviews reports and risk management reports.

### **5. Board Structure**

#### **5.1 Board Balance and Composition**

The Board should be of a size and composition with the benefit of variety of perspective 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.

It is also important for the Board to keep its size at a reasonable level (notwithstanding the fact that the Constitution of the Company allows a minimum of two (2) and a maximum of twelve (12) Directors). Boards that are too small or too large may significantly limit the level of individual participation, involvement and effectiveness. The Board shall from time to time examine its size with a view to determine the impact of its number upon its effectiveness.

The appointment of a new member to the Board (as well as for those who retire and offer themselves for re-appointment or re-election) is only made after consultation with the Nominating Committee and it is of importance to the Board that to ensure high levels of professional skills and appropriate personal qualities (relevant skills, experience, expertise and time commitment) are pre-requisites for such nominee.

Without limiting the generality of the foregoing, the qualifications for Board membership are the ability to make informed Business decisions and recommendations, an entrepreneurial talent for contributing to the creation of Shareholders value, relevant experience, the ability to appreciate the wider picture, ability to ask probing operational related questions, high ethical standards, sound practical sense and total commitment to furthering the interests of Shareholders and the achievement of the goals of the Group.

## **Board Charter**

### **5. Board Structure (cont'd)**

#### **5.1 Board Balance and Composition (cont'd)**

The Board recognises the need for the composition to reflect a range of skill mix and expertise. High levels of professional skills and appropriate personal qualities are pre-requisite for directorships. Without limiting the generality of the foregoing, the qualifications for Board membership are the ability to make informed business decisions and recommendations, an entrepreneurial talent for contributing to the creation of shareholder value, relevant experience, the ability to appreciate the wider picture, ability to ask probing operational related questions, high ethical standards, sound practical sense, and total commitment to furthering the interests of shareholders and the achievement of the Company's goals.

The Board recognises the need for an appropriate balance between Executive Directors who possess extensive direct experience and expertise in the core Business activities of the Group, and Non-Executive Directors who have outstanding track records and reputation attained at the highest levels of Business and commerce generally, and who are able to bring to the Board a broad range of general commercial expertise and experience.

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 Group MD separate.

The Board is mindful of the recommendation for Board diversity and, under this circumstance, the Nominating Committee shall ensure that women candidates are sought during its recruitment exercise and consider gender diversity in its recommendation to the Board.

The Board will also consider issues with regards gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group.

#### **5.2 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 to:

- (a) lead the Board in the oversight of management;
- (b) act as representative of the Board;
- (c) represent the Board to shareholders and chairing general meeting of shareholders;
- (d) ensure the adequacy and integrity of the governance process and issues;
- (e) maintain regular dialogue with the Group MD over all operational matters and consulting with the remainder of the Board promptly over any matters that gives him/her cause for major concern to optimise the effectiveness of the Board and its Committees;
- (f) function as a facilitator at meetings of the Board to ensure that no member, whether executive or non-executive, dominates discussion, that appropriate discussions takes place and that relevant opinions among members is forthcoming. The Chairman will ensure that discussions result in logical and understandable outcomes;
- (g) ensure that all Directors are enabled and encouraged to participate in its activities. This includes ensuring that all relevant issues are on the agenda and that all Directors receive timely, relevant information tailored to their needs and that they are properly briefed on issues arising at Board meetings;
- (h) ensure that Executive Directors look beyond their executive function and accept their full share of responsibilities of governance and provide regular updates on all issues pertinent to the welfare and future of the Group to the Board;

**Board Charter**

**5. Board Structure (cont'd)**

**5.2 Role of the Chairman (cont'd)**

- (i) guide and mediating Board actions with respect to organisational priorities and governance concerns;
- (j) undertake 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
- (k) perform other responsibilities assigned by the Board from time to time.

The Chairman may delegate specific duties to the Executive Directors, Board members and / or Committees as appropriate.

**5.3 Role of the Group MD**

The position of the Group MD, in essence, is to ensure the effective implementation of the Group's Business Plan (including strategic 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 Group MD, in association with the Chairman, is accountable to the Board for the achievement of the Group's mission, goals and objectives and the Group MD is accountable to the Board for the observance of management limitations.

The MD is expected to act within all specific authorities delegated to him or her by the Board. The delegation is subject to and limit by, the terms of this charter including matters reserved for decision by the Board and any specific limitations on authority imposed by the Board from time to time.

The responsibility of the MD should be stated in an agreed job description and generally, the MD is responsible to the Board. In discharging the above responsibilities, the Group MD can delegate appropriate functions to the Executive Director, who shall report to the Group MD.

**5.4 Role of the other Executive Director that are not MD**

- The role is to advise on programs or helping with the Company's strategic planning.
- To advise on the project or Company's deals with, which is critical, and helps to make decisions, chooses the direction of the Company and keeps the Company on track for the future.
- As an adviser to understand the capabilities of the Company in which includes developing program plans.
- To provide advice to management of a business base on their own.

**5.5 Role of the Non-Executive Directors ("NED")**

The roles of the NEDs primarily covers the monitoring of the Group performance and contributing to the development of Group strategies as outlined below:

- (a) Strategy: provide constructive commentaries and contribute to the development of Group strategies;
- (b) Performance: oversee the performance of Management in meeting pre-set objectives and targets and monitor the reporting of performance.

**Board Charter**

**5. Board Structure (cont'd)**

**5.1 Role of the Non-Executive Directors (“NED”) (cont'd)**

NEDs could act as a link between Management, Shareholders and other stakeholders. They should provide the relevant checks and balances and ensuring that high standards of Corporate Governance are applied whilst taking into consideration the interests of the Shareholders and other stakeholders.

**5.6 Tenure of Directors**

Pursuant to the Constitution, all Directors must retire once at least every three (3) years but shall be eligible for re-election

Pursuant to the Code 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.

The tenure of the Executive Directors is tied to their executive office.

**5.7 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 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.

**5.8 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.

Where a Committee is formed, specific terms of reference of the committee would be established to serve as a guidance note which covers matters such as the purpose, composition and functions of the committee.

Members of the Committees are expected to participate actively at meetings and be knowledgeable about purpose, process and goal of the said Committees.

**Board Charter**

**5. Board Structure (cont'd)**

**5.8 Board Committees (cont'd)**

The following standing committees with written terms of reference has been established:

**a) Audit Committee (“AC”)**

The AC assists in fulfilling the Board’s stewardship accountability to its Shareholders and financial stakeholders.

**b) Nominating Committee (“NC”)**

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.

**c) Remuneration Committee (“RC”)**

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.

**5.9 The Board’s Relationship with Shareholders and Stakeholders**

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.

The Corporate Disclosure Policy provides detailed guidance on communication with Shareholders and other stakeholders.

**6. 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.

**6.1 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.

All Board decisions shall be made through consensus. In the event consensus could not be reached, it shall be decided by a majority of votes and in the event of equality of votes, the Chairman shall have a second or casting vote in accordance with the Constitution.

**6.2 Agenda**

The notice of a Directors’ meeting should be given in writing at least seven (7) days prior to all Board meetings except for cases of emergencies. Notices may be sent through any means of tele-communication in permanent written form as prescribed in the Constitution.

## **Board Charter**

### **6. Board Processes (cont'd)**

#### **6.3 Meeting Papers**

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 seven (7) days prior to the meeting or a shorter period when unavoidable.

#### **6.4 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 in writing or via email.

All Directors should have access to the advice and services of the Company Secretary.

The full Board or in their individual capacity, in furtherance of their duties, shall be able to obtain an independent professional advice at the Company's expenses provided that such Director shall justify his action and obtain written approval from the Board.

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.

#### **6.2 Induction Process**

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.

#### **6.6 Directors' External Commitments and Conflict of Interest**

The 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. The Director concerned shall not participate in deliberations and shall abstain himself from casting his votes in any matter arising thereof unless otherwise as provided for in the Constitution of the Company.

Should there be an actual, potential or perceived conflict of interest between the Company or a related corporation and a Director, or an associate of a Director such as a spouse or other family members, or a related company, the Director involved shall make full disclosure and act honestly in the best interest of the Company.

An actual, potential or perceived conflict of interest shall not necessarily disqualify an individual Director from the Board provided that full disclosure of the interest has been made in good faith and with due honesty.

The Company Secretary shall aid the annual independence and conflict of interest self-declaration by the Directors.

The Company shall ensure that its Board members have the character, integrity, experience, competence and time to effectively discharge their roles.

**Board Charter**

**6. Board Processes (cont'd)**

**6.6 Directors' External Commitments and Conflict of Interest (cont'd)**

The Board members shall ensure that they dedicate sufficient time to carry out their roles and responsibilities. Each Director shall provide such a commitment at the point of appointment. Each Director is also required to commit to attend at least 50% of the Board meetings held annually.

A Director of the Group or Company shall hold not more than five (5) directorships in public companies listed on the Bursa Securities. Prior to accepting any new appointment, Directors shall notify the Chairman in writing and this shall include an indication of time that will be spent on the new appointment.

**7. Representation of the Company**

The Board looks to the Group MD, working together with the Chairman, to speak on behalf of the Group and to manage the communication of information to investors, other stakeholders and the public in an orderly and effective manner while adhering, at all times, to relevant laws and regulatory requirements with reference to the Company's Corporate Disclosure & Communication Policy.

**8. Remuneration of the Directors**

The Executive Directors shall receive remuneration that is recommended by the Remuneration Committee.

The NEDs will be paid a basic fee for their role as Directors of the Company subject to shareholders' approval at general meetings. In addition, they will also receive fees for attendance at meetings and for the responsibilities undertaken on Committees.

The remuneration for all Directors shall be approved by the Board with the Directors concerned abstaining from participating in the discussion of his individual remuneration.

**9. The Company's Constitution and Management's limits**

The Board operates pursuant to the powers and is subject to rules in the Constitution of the Company as adopted by shareholders in general meeting.

The Management is expected to act within all specific authorities delegated to it by the Board. Nevertheless, the Board is still charged with the responsibility for the exercise of such power by the delegate as if such power had been exercised by the Directors themselves. This responsibility can be negated only when:

- (a) the Board believed on reasonable grounds that the delegate would exercise the delegated powers in conformity with the Companies Act, 2016 and the Constitution of the Company; and
- (b) the Board believed on reasonable grounds, in good faith and after making a proper inquiry that the delegate (where necessary) was reliable and competent in relation to the powers delegated.

The Management is expected not to cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics.



**Board Charter**

**10. Revision to the Board Charter**

The Board Charter shall be reviewed by the Board as when necessary to ensure its relevance in aiding the Board to discharge its duties and responsibilities vis a vis the changes in corporate laws and regulations that may arise from time to time.

Dated: 28 August 2018