

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 1651  
**COMPANY NAME** : Malaysian Resources Corporation 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>One of the Board's key roles is setting the strategic direction of the Group. Strategy is a key matter reserved for the Board's deliberation and decision. The strategic plan of the Group supports long term value creation and embeds economic, environmental and social considerations underpinning sustainability. The strategic initiatives of the Group are described in the Group Managing Director's Management Discussion &amp; Analysis section of the 2017 Annual Report.</p> <p>The Board also plays an important role in overseeing the governance of the Group, and in ensuring that the tone for the Group's culture and values is set from the top. The Board, together with Senior Management, have been continuously promoting a healthy corporate governance culture through various means such as the establishment and implementation of a Whistleblowing Policy, No Gift Policy and Code of Business Ethics. Initiatives taken in 2017 to strengthen the Group's commitment in promoting integrity and governance include the signing of the Corruption-Free Pledge and the commissioning of an Anti-Bribery gap analysis to provide a baseline for the implementation of the ISO 37001 Anti-Bribery Management System. The Whistleblowing Policy was also reviewed and updated recently, where the protection afforded to whistleblowers has been further enhanced. In addition, the Board is fully committed to ensuring compliance with the Malaysian Code on Corporate Governance and is taking steps to address the current departures from the practices outlined therein. Further details on corporate governance can be found in the Corporate Governance Overview Statement in the 2017 Annual Report.</p>

	<p>The roles of the Board also include overseeing and evaluating the conduct and performance of the Company and the Group, establishing a succession plan and reviewing the adequacy and integrity of the management information and internal controls system. During the year, a succession plan for senior management was presented to the Board. The Board also exercises oversight on management. There are mechanisms in place to assess management’s performance with the establishment of key performance indicators for management which aligns management’s performance to the Group’s strategic objective. During the year, the achievement of the 2016 key performance indicators was presented to the Board.</p> <p>The Board has also ensured that there is effective, transparent and regular communication with shareholders and other stakeholders. Further details can be found in the Corporate Governance Overview Statement in the 2017 Annual Report.</p> <p>In carrying out its duties and responsibilities, the Board is assisted by various committees. The Board delegates certain functions to these committees in accordance with their terms of reference. The duties and responsibilities of these committees are described in the respective committee’s report in the 2017 Annual Report, as well as the respective committee’s Terms of Reference.</p>	
<b>Explanation for departure</b>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>		
<b>Timeframe</b>		

### Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board is led by a Non-Independent Non-Executive Chairman. The responsibilities of the Chairman include, among others, providing leadership for the Board so that the Board can perform its responsibilities effectively and leading the board in establishing and monitoring good corporate governance practices. The role of the Chairman is specified in the Board Charter which is available on the Company's website, <a href="http://www.mrcb.com">www.mrcb.com</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The positions of Chairman and Group Managing Director are held by different individuals. The Board is led by the Non-Independent Non-Executive Chairman and the Board has delegated the authority for the day-to-day operations of the Group to the Group Managing Director. The distinct roles of the Chairman and Group Managing Director are specified in the Board Charter which is available on the Company's website, <a href="http://www.mrcb.com">www.mrcb.com</a> .	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary is a chartered practitioner and a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). He is an associate member of the Institute of Chartered Secretaries and Administrators (UK) since 1988.</p> <p>The Company Secretary is a central source of information and advice to the Board and its Committees on regulations affecting the Group and the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Board papers are disseminated to the Directors at least 5 days prior to the meeting via electronic means i.e. iPad. Board decisions are disseminated to the relevant departments within 2 working days from the meeting. The minutes are circulated to the Directors in a timely manner.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is guided by a Charter which was established on 20 November 2012 and reviewed periodically. The Board Charter sets out the roles of the Board, Committees of the Board, Chairman, Group Managing Director, Executive Director, Senior Independent Director, Independent Directors and Non-Independent Non-Executive Directors, as well as a list of matters reserved for the Board. The Charter was recently reviewed and amended in line with the Companies Act 2016, requirements of the Malaysian Code on Corporate Governance and amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board Charter was revised on 28 February 2018.</p> <p>The Board Charter can be viewed at the Company's website, <a href="http://www.mrcb.com">www.mrcb.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has in place a Code of Business Ethics (Code). All Directors and employees of the Group are governed by the Code, and are required to acknowledge having read and understood the Code upon appointment or upon commencement of employment. Amongst others the Code of Business Ethics sets out the expected standards of conduct and behaviour when dealing with external customers, suppliers and conflict of interest situations, and in preserving the confidentiality of the Company's information.</p> <p>Directors are required to disclose any conflict of interest or material personal interest that they may have in the affairs of the Group as soon as they become aware of the interest and abstain from any deliberations on the matter.</p> <p>The Code of Business Ethics was recently updated, and can be viewed at the Company's website, <a href="http://www.mrcb.com">www.mrcb.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has a Whistleblowing Policy which provides a framework for responsible and secure reporting of concerns about irregularities within the Group's operations at the earliest opportunity and in an appropriate manner. The Group's whistleblowing channels allow anyone to report any misconduct by MRCB employees, including members of Senior Management and Board of Directors.</p> <p>The Whistleblowing Policy was recently updated to enhance the protection afforded to whistleblowers. Whistleblowers can report any improper conduct by e-mail to <a href="mailto:whistleblowing@mrcb.com">whistleblowing@mrcb.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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 of independent directors.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board currently comprises 8 Directors of which 3 are Independent Directors. Details of the Board composition can be found in the Corporate Governance Overview Statement in the 2017 Annual Report. While the Board believes that its present composition and size enables it to discharge its duties and responsibilities effectively and competently and that the lack of a majority of independent directors is not an impediment to sound and impartial decision making, the Board is committed to meeting the requirements of this Practice to further strengthen the independence of the Board, and is in the process of identifying suitable candidates to be appointed as independent directors.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Company has engaged the services of an independent consultant to source for at least 3 more Independent Directors with the relevant expertise.	
<b>Timeframe</b>	:	Within 2 years	

**Intended Outcome**

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

**Practice 4.2**

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

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

<b>Application</b>	:	Not Applicable – Step Up 4.3 Adopted	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Adopted	
<b>Explanation on application of the practice</b>	:	The Board Charter clearly states that the tenure of an Independent Director shall not exceed a cumulative term of 9 years.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All appointments of Directors and Senior Management are reviewed and recommended to the Board by the Nomination & Remuneration Committee ("NRC") with due regard to skills, experience, age, cultural background and gender. The re-election of Directors is recommended by the NRC to the Board which in turn will recommend to the shareholders for approval. Further information on the Board composition, in terms of board tenure, board balance, gender diversity, experience and significant strengths can be found in the Corporate Governance Overview Statement in the 2017 Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board currently comprises 2 women Directors which constitutes 25% of the Board. Although it has been a challenge sourcing for women directors given the male-dominated nature of the construction industry, the Board is committed towards meeting the target of at least 30% women directors and is taking the necessary steps towards achieving this.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Company is sourcing for at least 2 more Independent women Directors with the relevant expertise to the Group's activities.	
<b>Timeframe</b>	:	Within 2 years	

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company has engaged the services of an independent consultant in its effort to conduct the search for Independent Directors with the relevant experience and skill set.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Nomination & Remuneration Committee is chaired by the Senior Independent Director, Jamaludin Zakaria.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	KPMG Management and Risk Consulting Sdn Bhd ("KPMG") was appointed to carry out the Board Effectiveness Evaluation exercise for 2016. The outcome of the evaluation exercise was tabled to the Nomination & Remuneration Committee and the Board on 28 August 2017 and 21 November 2017 respectively.  PricewaterhouseCoopers has been engaged to carry out an independent Board Effectiveness Evaluation for 2017. The exercise is expected to be completed by May 2018. Further information on the Board Effectiveness Evaluation can be found in the Corporate Governance Overview Statement in the 2017 Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	In determining the remuneration of Directors and Senior Management, the Nomination & Remuneration Committee has adopted the approach of benchmarking against other companies of similar activities and size. The basis on which Directors' remuneration is determined is explained in the Corporate Governance Overview Statement in the 2017 Annual Report.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The framework of the remuneration package of the Directors has been finalised and presented to the shareholders for approval. The framework of the remuneration package of the Senior Management is being drawn up. The related policies and procedures will be made available on the Company's website upon approval.
<b>Timeframe</b>	:	Within 1 year

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board has a Nomination & Remuneration Committee to review and recommend matters relating to the remuneration of Board and Senior Management. The authority and duties of the Nomination & Remuneration Committee are set out in its Terms of Reference which is available on the Company's website, <a href="http://www.mrcb.com">www.mrcb.com</a> . Further information on the duties, responsibilities and activities of the Nomination & Remuneration Committee can be found in the Nomination & Remuneration Committee Report in the 2017 Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 7.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The detailed breakdown of individual Directors' remuneration for 2017 are disclosed in the Corporate Governance Overview Statement in the 2017 Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The information on the remuneration of the top five senior management in bands of RM50,000 are set out in the Corporate Governance Overview Statement in the 2017 Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Audit Committee is chaired by Hasman Yusri Yusoff, an Independent Director who is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company's Board Charter states that a former key audit partner has to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Audit Committee's Terms of Reference requires the Audit Committee to assess the suitability, objectivity and independence of the external auditor in considering the appointment of the external auditor. In addition, in their Audit Plan, the external auditors confirmed that they have maintained their independence in accordance with the firm's requirements and the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	All members of the Audit Committee are financially literate and are either qualified Accountants or possess a degree in Finance. The Audit Committee's Terms of Reference states that all members should be financially literate and able to understand matters under the purview of the Audit Committee. All members are encouraged to attend continuous professional development programmes. The profiles of the members of the Audit Committee, as well as the details of trainings attended by Directors can be found in the 2017 Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board is responsible for establishing and maintaining an adequate and effective risk management and internal control system, as well as reviewing the adequacy and integrity of the management information and internal controls system. An ongoing process to identify, assess, respond, monitor and report significant risks that may affect the achievement of the Group's business objectives is in place. A Risk Management Framework and Manual which serves as a documentary guide of the Group's risk management policy, risk management processes and reporting framework is available. All employees of the Group are responsible for managing risks within their respective areas of responsibilities. The Management is accountable for the implementation of the Enterprise Risk Management Framework and Policy, ensuring its continued application in the Group and that business and risk strategies are aligned.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 9.2

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The features of the Group's risk management and internal control framework, and the adequacy and effectiveness of this framework are disclosed in the Statement on Risk Management and Internal Control in the 2017 Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

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

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

### Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit function of the Group is carried out by the Internal Audit Department which operates independently of management and reports directly to the Audit Committee.</p> <p>The primary responsibility of the Internal Audit Department is to carry out reviews of operations to provide reasonable assurance that the system of internal control is operating effectively and efficiently. Significant risk exposures and non-compliances to the policies and procedures of the Group are highlighted for Management’s attention and recommendations for improvement are given to Management for consideration. Follow-up reviews are conducted subsequently to ascertain that improvement measures are implemented. The findings of these reviews along with Management’s responses are assessed and deliberated by the Audit Committee on quarterly basis and reported to the Board of Directors.</p> <p>Appointment of the Head of Internal Audit and the scope of work of the Internal Audit Department are approved by the Audit Committee. The roles, responsibilities and activities of the Audit Committee are set out in the Audit Committee Report in the 2017 Annual Report.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Internal Audit function of the Group is carried out by MRCB's Internal Audit Department. The Internal Audit Department operates independently of management and reports directly to the Audit Committee. Internal Audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence. The Internal Audit Department is headed by Ryan Wong, who is a fellow of the Association of Chartered Certified Accountants (ACCA) UK and a Chartered Accountant in Malaysia. The Internal Audit Department has a total of eleven staff. The objectives, mission, scope, organization, authority and responsibilities of the Internal Audit function are spelt out in the Internal Audit Charter. The internal audit function is carried out in accordance with the International Standards for Professional Practices Framework issued by the Institute of Internal Auditors.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Communication with stakeholders is achieved through corporate announcements to Bursa Malaysia, press releases / press conferences on the Group's significant corporate events and developments, publication of up-to-date information on the Group's projects, financial information and general corporate information on the website, analyst briefings and engagement forums by the Investor Relations team, amongst others. Further details on communication with stakeholders can be found in the Corporate Governance Overview Statement in the 2017 Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 11.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Group has not fully adopted integrated reporting but is currently taking steps towards the adoption of integrated reporting in accordance with a globally recognized framework. Some elements of Integrated Reporting have been embedded in the 2017 Annual Report. Value creation, which is one of the fundamental concepts of integrated reporting, is referred to in various sections of the Annual Report where the manner in which the Company creates value is explained. The Annual Report also provides insights into the Company's strategy as well as its relationship with stakeholders, which are part of the guiding principles of integrated reporting.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Management is aware of the benefits associated with integrated reporting and has taken steps to create awareness on integrated reporting. Management has also started the process of integrated thinking which forms the basis of integrated reporting. The right resources are being identified to implement the adoption of integrated reporting based on a globally recognized framework.
<b>Timeframe</b>	:	Within 2 years

**Intended Outcome**

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

**Practice 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Since 2017, the Company has issued the Notice of Annual General Meeting to the shareholders of the Company 28 days prior to the meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Directors have been attending the Annual General Meetings of the Company. The Chairman of the respective committees of the Board will respond to any question directed to them.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.3**

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

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Article 75 of the Company’s Articles of Association provides that only members present in person or by proxy or represented by attorney or authorised representative shall have one vote for every share held or represented by him.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Company aims to leverage on technology to facilitate voting in absentia and remote shareholders’ participation at General Meetings, and is currently studying the requirements to put in place such a system.	
<b>Timeframe</b>	:	Within 2 years	

**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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