

CORPORATE GOVERNANCE REPORT

STOCK CODE : 1651
COMPANY NAME : Malaysian Resources Corporation Berhad
FINANCIAL YEAR : December 31, 2018

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 Board is collectively responsible for the overall management and performance of the Group. 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 detail in the Group Managing Director's Management Discussion & Analysis section of the 2018 Annual Report.</p> <p>In order to meet its strategic objectives, it is imperative that an effective governance structure is put in place. As such, the Group has established a sound corporate governance framework that comprises a clear process within which decisions can be made. This is achieved through a delegated authority framework which ensures that decisions are taken by the right people at the right level with clear accountability up to the Board.</p> <p>The Board 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. In carrying out its duties and responsibilities, the Board is assisted by four Board Committees, i.e. the Audit and Risk Management Committee, Nomination & Remuneration Committee, Executive Committee and Long Term Incentive Plan Committee. 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 2018 Annual Report, as well as the respective Committee's Terms of Reference. The Board retains the ultimate responsibility for decisions made by the Board Committees. The Board reserves certain key matters to itself for approval, such as the strategic plan, annual business plan, annual budget and Limits of Authority and delegates responsibility for</p>

	<p>the day-to-day operations of the business to the Group Managing Director who is assisted by the Senior Management team.</p> <p>The Senior Management team is assisted by management committees such as the Tender Cost Committee, Building Safety & Security Committee, Budget Review Committee and Pre-Qualification Committee in its decision making process.</p> <p>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 objectives.</p> <p>The Board also ensures that there is effective, transparent and regular communication with shareholders and other stakeholders. In recognising the importance of Investor Relations as an integral part of corporate governance, management has a dedicated Investor Relations team to manage all matters pertaining to Investor Relations. Further details on stakeholder engagement activities carried out can be found in the Corporate Governance Overview Statement in the 2018 Annual Report.</p>	
Explanation for departure		
<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

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>The Board is led by an Independent Chairman. On 2 July 2018, the Chairman of the Board, Tan Sri Azlan Zainol, was redesignated from Non-Independent Chairman to Independent Chairman. The Chairman provides leadership for the Board so that the Board can perform its responsibilities effectively and leads the Board in establishing and monitoring good corporate governance practices. The key roles of the Chairman are as follows:</p> <ul style="list-style-type: none">• Ensuring that the Board functions effectively, cohesively and independently of Management.• Providing leadership and direction to the Board, including in matters related to governance.• Leading the Board, including presiding over Board meetings and Company meetings and directing Board discussions to effectively use the time available to address the critical issues facing the Group.• Promoting constructive and respectful relationship between Board members and between Board members and management.• Ensuring that there is effective communication between the Company and/or Group and its shareholders and relevant stakeholders. <p>During Board Meetings, the Chairman leads the discussion and encourages active participation, promoting an environment in which views can be freely expressed. The Chairman also plays a key role in the conduct of the General Meetings, ensuring the smooth tabling of resolutions and effectively managing all communications during the session.</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>The positions of Chairman and Group Managing Director are held by different individuals. The Independent Chairman leads and governs the Board whereas the Group Managing Director manages the day-to-day business operations of the Group and implements the Board's decisions. The distinct roles of the Chairman and Group Managing Director are specified in the Board Charter which is available on the Company's website, www.mrcb.com.</p> <p>The clear division of responsibilities between the Chairman and the Group Managing Director ensures a balance of authority and power.</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>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>All members of the Board have access to the advice and services of the Company Secretary on matters relating to the Group to assist them in the performance of their duties.</p> <p>The Company Secretary manages the logistics of all Board and Board Committee meetings. Minutes of all Board and Board Committee meetings are recorded by the Company Secretary and circulated to the relevant parties. The Company Secretary also plays an advisory role to the Board with regards to regulatory and governance matters.</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 Company Secretary ensures that the annual meeting calendar is prepared and circulated in advance of each new year. Board papers are disseminated to the Directors at least 5 days prior to the meeting via electronic means.</p> <p>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.</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	:	<p>The Board is guided by a Charter which was established on 20 November 2012 and reviewed periodically. The Board Charter clearly sets out the roles of the Board, Committees of the Board, Chairman, Group Managing Director, Senior Independent Director, Independent Directors and Non-Independent Non-Executive Directors. The Board Charter also sets out a list of matters reserved for the Board, and explains the delegation of powers to management. The clear demarcation of roles, responsibilities and powers of the Board, the various Board Committees and management clarifies the accountability of both the Board and management, and facilitates the Board in its assessment of its own performance, of its individual Directors and of management.</p> <p>The Board Charter was last revised on 22 November 2018, and can be viewed at the Company's website, www.mrcb.com.</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 3.1

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 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. The Code of Business Ethics prescribes principles and standards of ethical conduct and behaviour in the conduct of business, in line with the Group's standards. The Code addresses the following, among others:</p> <ul style="list-style-type: none">• ethical conduct and responsibilities when dealing with external parties such as customers, suppliers, government agencies, competitors, media etc.;• conflict of interest situations;• proper use of the Group's assets;• maintaining a safe and conducive work environment; and• preserving the confidentiality of the Group's information. <p>The Code also underscores the requirement to comply with all applicable laws and regulations and to uphold the principles of integrity, honesty and professionalism in the conduct of business and in the performance of duties. Complementing the Code are policies and guidelines such as the Gifts, Hospitality, Donations and Similar Benefits Policy, Anti Bribery and Corruption Policy and the Whistleblowing Policy, which reinforce the principles embedded in the Code.</p> <p>All Directors and employees are responsible in ensuring that the rules and practices in the Code are adhered to. A breach of the Code is considered a misconduct and is subject to disciplinary action in accordance with the Group's disciplinary policy and procedures.</p> <p>The Code is reviewed from time to time as and when required, with the latest revision being in April 2018. The Code can be viewed at the Company's website, www.mrcb.com.</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	:	<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 Whistleblowing Policy signifies the Group's commitment in developing a culture of openness and honesty where a person who is aware of a potential malpractice or misconduct is encouraged to report such matters in good faith, without fear of reprisal.</p> <p>The Group's whistleblowing channel allows anyone to report any misconduct by employees (including members of Senior Management) and Directors. Whistleblowers can report any improper conduct by e-mail to whistleblowing@mrcb.com. The Whistleblowing Policy also clarifies the protection afforded to whistleblowers who report allegations of improper conduct, provides guidance on communicating instances of improper conduct to the appropriate party and establishes the procedures for handling and managing disclosures of improper conduct in an appropriate and timely manner. The Integrity and Discipline Department is responsible for administering and overseeing the implementation of the Whistleblowing Policy.</p> <p>The Whistleblowing Policy was last revised in February 2019.</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 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board comprises a majority independent directors. The Board currently comprises 7 Directors, of which 4 are Independent Directors. Details of the Board composition can be found in the Corporate Governance Overview Statement in the 2018 Annual Report.</p> <p>On 2 July 2018, Tan Sri Mohamad Salim Fateh Din retired as Group Managing Director and Mohd Imran Mohamad Salim was redesignated from Executive Director to Group Managing Director. On the same date, the Chairman of the Board, Tan Sri Azlan Zainol, was redesignated from Non-Independent Chairman to Independent Chairman.</p> <p>With these changes, the size of the Board has been reduced from 8 members to 7 members. The new Board composition with majority Independent Directors improves impartiality and decision making and effective oversight 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

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	:	Not applicable - Step Up 4.3 adopted	
Explanation on application of the practice	:		
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 4.3 - Step Up

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

Application	:	Adopted	
Explanation on adoption of the practice	:	The Board Charter clearly states that the tenure of an Independent Director shall not exceed a cumulative term of 9 years.	
<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 4.4

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	:	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 NRC proposes the re-election of Directors to the Board which in turn recommends the re-election of Directors 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 2018 Annual Report.	
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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board currently comprises 2 women Directors which constitutes 29% of the Board. This represents an increase from 25% in the previous year. Although it has been a challenge sourcing for women directors with the right skills, 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>			
Measure	:	The Company is sourcing for one more Independent woman Director with the relevant expertise.	
Timeframe	:	Within 1 year	

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	:	Applied
Explanation on application of the practice	:	<p>The Nomination & Remuneration Committee reviews the suitability of an individual to be appointed to the Board, taking into consideration the skills, expertise, background and experience of the prospective candidate as well as boardroom diversity. The Board then makes a decision on the appointment based on the recommendation of the Nomination & Remuneration Committee.</p> <p>In identifying suitable candidates, the Nomination & Remuneration Committee considers various sources, including independent sources. The Company engages the services of an independent consultant in its effort to conduct the search for Independent Directors with the relevant experience and skill set.</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 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination & Remuneration Committee is chaired by the Senior Independent Director, Jamaludin Zakaria.	
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>PwC Consulting (M) Services Sdn Bhd (“PwCCS”) was appointed by MRCB to undertake an independent evaluation of the effectiveness of the main Board, its Committees and the individual Directors for year assessment 2017.</p> <p>The scope of work of PwCCSs’ appointment included a review and refinement of the current Board Effectiveness Assessment, a self and peer assessment, independent assessment interviews of the Directors and the preparation of a Board Effectiveness Evaluation (BEE) report including possible improvement recommendations. The whole exercise of the BEE was carried out from February to May 2018.</p> <p>For assessment on individual Directors, the Directors completed Self and Peer Evaluation questionnaires while for the Board and its Committees, the following approach was taken by PwCCS:</p> <ul style="list-style-type: none"> ▪ Collation and analysis of completed assessment forms ▪ Structured one-to-one interviews with all Directors to validate preliminary results and to obtain further insights and context on specific areas ▪ One-to-one discussions with selected Senior Management to obtain views on Board-Management interactions. <p>PwCCS also interviewed all Directors and four Senior Management in relation to the BEE.</p> <p>Pursuant to the BEE, PwCCS highlighted some areas which required improvements from the Board. The Board took the necessary improvement measures to further strengthen its performance.</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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	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 2018 Annual Report.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The policies and procedures to determine the remuneration of Senior Management is being drafted and will be made available on the Company's website upon completion.	
Timeframe	:	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.

Application	:	Applied
Explanation on application of the practice	:	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, www.mrcb.com . Further information on the duties, responsibilities and activities of the Nomination & Remuneration Committee can be found in the Nomination & Remuneration Committee Report in the 2018 Annual Report.
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	:	The detailed breakdown of individual Directors' remuneration for 2018 is disclosed in the Corporate Governance Overview Statement in the 2018 Annual Report. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.	
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	:	Applied	
Explanation on application of the practice	:	The information on the remuneration of the top five senior management in bands of RM50,000 is set out in the Corporate Governance Overview Statement in the 2018 Annual Report.	
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 7.3 - 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	:	

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	:	The Audit and Risk Management Committee is chaired by Hasman Yusri Yusoff, an Independent Director who is not the Chairman 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

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	:	The Audit and Risk Management Committee’s Terms of Reference states that a former key audit partner must observe a cooling-off period of at least two years before being appointed as a member of the Audit and Risk Management Committee.	
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	:	The Audit and Risk Management Committee's Terms of Reference requires the 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.	
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	:	

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	:	All members of the Audit and Risk Management Committee are financially literate and are either qualified Accountants or possess a degree in Finance. The Audit and Risk Management Committee's Terms of Reference states that all members should be financially literate and able to understand matters under the purview of the Audit and Risk Management Committee. All members attended continuous professional development programmes. The profiles of the members of the Audit and Risk Management Committee, as well as the details of trainings attended by Directors can be found in the 2018 Annual Report.
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, through the Audit and Risk Management Committee, is responsible for establishing and maintaining an adequate and effective risk management and internal control system to safeguard shareholders' investments and the assets of the Group.</p> <p>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. Risks faced by the business are identified and evaluated based on the likelihood and potential impact of each risk and where necessary, actions to mitigate the risks were also identified. 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 to all employees of the Group. 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.</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	:	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 2018 Annual Report.	
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	:	<p>On 22 November 2018, the Board's Audit Committee was renamed Audit and Risk Management Committee. The Terms of Reference of the Committee was also amended to incorporate the additional responsibilities of the Committee. For the financial year 2018, the Committee comprised a majority of independent directors, i.e. two Independent Directors and one Non-Independent Director.</p> <p>The amended Terms of Reference was approved by the Board and is available on the Company's website, www.mrcb.com.</p> <p>With effect from 12 January 2019, all members of the Audit and Risk Management Committee are Independent Directors.</p>

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 of the Group is carried out by the Group Internal Audit Department which operates independently of management and reports directly to the Audit and Risk Management Committee.</p> <p>The primary role and responsibility of the Group Internal Audit Department is to undertake audits and reviews of operations to provide reasonable assurance that the system of internal control is operating effectively and efficiently.</p> <p>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 and Risk Management Committee on quarterly basis and reported to the Board of Directors.</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	:	The Internal Audit function of the Group is carried out by MRCB’s Group Internal Audit Department. The Group Internal Audit Department operates independently of management and reports directly to the Audit and Risk Management Committee. Internal Audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence. The Group 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 Group Internal Audit Department has a total of nine 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.
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 continuously disclosing and disseminating comprehensive and timely information to its shareholders and other stakeholders.</p> <p>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 and various stakeholder engagement activities can be found in the Corporate Governance Overview Statement in the 2018 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 11.2

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	:	The Group has not fully adopted integrated reporting but is currently taking steps towards the adoption of integrated reporting in accordance with a globally recognised framework. More guiding principles and elements of Integrated Reporting have been embedded in the 2018 Annual Report. As an effort to adopt the framework's guiding principles relating to strategic focus and future orientation, connectivity of information, and stakeholder relationships, the Group's business model, strategy and initiatives have been further linked to its achievements and future outlook to provide a more coherent narrative of the Group's operations and performance. The Group's recent creation of a Group Risk Management Department tasked to strengthen the Group's risk management function as well as risk reporting, will also indirectly enhance elements of risks and opportunities, which forms a crucial part of integrated reporting.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	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. A preliminary gap analysis and workshop was conducted by an external consultant to assess the Group's readiness, with the immediate plan to close as many gaps possible in the 2018 Annual Report before fully embarking on integrated reporting. Further assessments and workshops will be conducted throughout the year to lay the groundwork for this endeavor.
Timeframe	:	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.

Application	:	Applied	
Explanation on application of the practice	:	Since 2017, the Company has issued the Notice of Annual General Meeting to the shareholders of the Company 28 days prior to the meeting.	
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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	For the past 4 years prior to 2018, all Directors attended the general meetings of the Company. For the Annual General Meeting and Extraordinary General Meeting held on 28 May 2018, the Senior Independent Director could not attend the meetings due to last minute commitment in overseas.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	All the Directors are fully committed to attend the General Meetings of the Company.	
Timeframe	:	Ongoing	

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>MRCB has yet to facilitate voting in absentia and remote shareholders' participation at general meetings. The general meeting of MRCB is always held within the vicinity of Kuala Lumpur at a venue familiar to shareholders of the Company and accessible by various modes of transport in order to encourage shareholders' participation. Shareholders who are unable to attend general meetings may appoint their respective proxies to vote on their behalf at all general meetings of the Company in accordance with the Memorandum and Articles of Association.</p> <p>The new Constitution of the Company which will be proposed to the shareholders for approval at the forthcoming Annual General Meeting contains provision for holding general meetings at more than one venue using any technology or method that enables the shareholders to participate and to exercise their rights to speak and vote at the meeting in accordance with Section 327(1) and (2) of the Companies Act 2016.</p> <p>To facilitate greater shareholder participation at general meetings as well as to ensure accurate and efficient outcomes of the voting system, MRCB implemented electronic poll voting since the Annual General Meeting held on 6 June 2017.</p> <p>The electronic polling process is conducted by the poll administrator which normally is the share registrar of the Company. 15 e-polling stations are set-up at the adjacent room of the meeting room; and the polling results will be verified by an independent scrutineer.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	MRCB will explore a suitable and reliable system to facilitate voting in absentia and remote participation by shareholders. MRCB will carefully consider all factors including all applicable requirements, necessary framework and processes, as well as communication to shareholders, for implementation in due course.
Timeframe	:	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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