

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 1651  
**COMPANY NAME** : Malaysian Resources Corporation Berhad  
**FINANCIAL YEAR** : December 31, 2019

## 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>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 &amp; Analysis section of the Integrated Annual Report 2019.</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 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, namely the Audit &amp; Risk Management Committee, Nomination &amp; 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 Integrated Annual Report 2019, as well as the respective committee's terms of reference.</p>

	<p>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 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 &amp; Security Committee, Budget Review Committee and Pre-Qualification Committee in the decision making process.</p> <p>There are mechanisms in place to assess management’s performance through key performance indicators 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 Integrated Annual Report 2019.</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 1.2

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>	:	<p>The Board is led by an Independent Chairman who provides leadership to 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"> <li>▪ Ensuring that the Board functions effectively, cohesively and independently of Management.</li> <li>▪ Providing governance in matters requiring corporate justice and integrity.</li> <li>▪ 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.</li> <li>▪ Promoting a constructive and respectful relationship among Board members, and between Board members and Management.</li> <li>▪ Ensuring that there is effective communication between the Company and/or Group and its shareholders and relevant stakeholders.</li> </ul> <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 meeting.</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 1.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<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, <a href="http://www.mrcb.com">www.mrcb.com</a>.</p> <p>The clear division of responsibilities between the Chairman and the Group Managing Director ensures a balance of authority and power.</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 1.4

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>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> <p>Further details can be found in the Corporate Governance Overview Statement in the Integrated Annual Report 2019</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>	:	<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>	
<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 which is 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 that of the management.</p> <p>The Board Charter was last revised on 22 November 2018, 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 3.1

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 ("CBE"). All Directors and employees of the Group are governed by the CBE and are required to acknowledge having read and understood the CBE upon appointment or upon commencement of employment. The CBE prescribes principles and standards of ethical conduct and behaviour in the conduct of business, in line with the Group's standards and values. The CBE addresses the following, among others:</p> <ul style="list-style-type: none"><li>▪ ethical conduct and responsibilities when dealing with external parties such as customers, suppliers, government agencies, competitors, media etc.;</li><li>▪ conflict of interest situations;</li><li>▪ proper use of the Group's assets;</li><li>▪ maintaining a safe and conducive work environment; and</li><li>▪ preserving the confidentiality of the Group's information.</li></ul> <p>The CBE 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 CBE are policies and guidelines such as the Anti-Bribery and Corruption Policy, Gifts, Hospitality, Donations and Similar Benefits Policy, Conflict of Interest Policy and the Whistleblowing Policy, which reinforce the principles embedded in the CBE.</p> <p>All Directors and employees are responsible in ensuring that the rules and practices in the CBE are adhered to. A breach of the CBE is considered as an act of misconduct and is subject to disciplinary action in accordance with the Group's disciplinary policy and procedures.</p> <p>The CBE is reviewed from time to time as and when required, with the latest revision being approved by the Board in May 2018. The CBE 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 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 any 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 <a href="mailto:whistleblowing@mrcb.com">whistleblowing@mrcb.com</a>. 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. All reports and information provided are treated with strict confidentiality. 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 March 2019.</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 independent directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board comprises a majority of 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 Integrated Annual Report 2019.</p> <p>The present Board composition improves impartiality and decision making and provides effective oversight by the Board.</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 4.2**

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 adoption 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.

### 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 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 Integrated Annual Report 2019. Details on the appointment, assessment, and re-election of Directors are also provided within the same section.	
<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 29% of the Board.  The Board acknowledges the value of having a diverse set of viewpoints and insights that generates healthy debate and guides the Board's decision-making in the best interests of the Company and its stakeholders. Although it has been a challenge in sourcing for women directors with the right skills required to fill current knowledge and experience deficits on the existing Board, the Board remains committed towards achieving this target within the wider context of enhancing the Board's overall diversity, know-how, and effectiveness.	
<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 remains on the lookout for additional candidates with the right mix of skills and diversity to strengthen the Board.	
<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 Nomination & Remuneration Committee reviews the suitability of an individual to be appointed to the Board, objectively 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.	
<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>	:	<p>Boardroom Corporate Services Sdn Bhd (“BCS”) was appointed by MRCB to undertake an independent evaluation of the effectiveness of the main Board, its Committees and the individual Directors in 2019, for the 2018 year of assessment.</p> <p>The scope of work of BCSs’ appointment included a Board of Directors Assessment, Directors’ Skill Sets Assessment, Directors’ Self and Peer Assessment, Independent Directors’ Self Assessment, assessment on Committees of the Board and the preparation of a Board Effectiveness Evaluation (BEE) report, including possible improvement recommendations. The whole BEE exercise was carried out from January to March 2019.</p> <p>For the assessment of individual Directors, the Directors completed the Directors’ Self and Peer Assessment questionnaires, while for the Board and its Committees, the following approach was taken by BCS:</p> <ul style="list-style-type: none"> <li>▪ Collation and analysis of completed assessment forms</li> <li>▪ Structured one-to-one interviews with all Directors to validate preliminary results and to obtain further insights and context on specific areas</li> <li>▪ One-to-one discussions with selected Senior Management to obtain views on Board-Management interactions.</li> </ul> <p>BCS also interviewed all Directors and four Senior Management in relation to the BEE.</p> <p>Although the overall BEE was favourable, BCS did highlight some areas which could be improved, and the Board took the necessary improvement measures to further strengthen its performance.</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 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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Policy and Procedures for the Directors and Senior Management was approved by the Board on 21 November 2019. It guides and administers the remuneration of the Directors and Key Senior Management to support and drive business strategy and long-term objectives of the Company and its subsidiaries in line with the recommendation of the MCGG. The policy can be viewed on the Company's website, <a href="http://www.mrcb.com">www.mrcb.com</a>.</p> <p>The basis on which Directors' remuneration is determined is also explained in the Corporate Governance Overview Statement in the Integrated Annual Report 2019.</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 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, guided by the Group's Remuneration Policy and Procedures for Directors 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 Integrated Annual Report 2019.
<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 2019 is disclosed in the Corporate Governance Overview Statement in the Integrated Annual Report 2019. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.	
<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>	:	Not applicable - Step Up 7.3 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**

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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The information on the detailed remuneration of the top five Senior Management is set out in the Corporate Governance Overview Statement in the Integrated Annual Report 2019.

**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 & Risk Management 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 Audit & 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 & Risk Management Committee. The Terms of Reference are 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**

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 & 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 relevant By-Laws 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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit & Risk Management Committee presently comprises 3 Independent Directors with the appointment of To' Puan Janet Looi Lai Heng, an Independent Director, in place of Rohaya Mohammad Yusof, a Non-Independent Non-Executive Director on 12 January 2019.

### 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>	:	Members of the Audit & Risk Management Committee are financially literate, the majority of whom are either qualified Accountants or possess a degree in Finance. The Audit & 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 & Risk Management Committee. All members attended continuous professional development programmes. The profiles of the members of the Audit & Risk Management Committee, as well as the details of trainings attended by the Directors can be found in the Integrated Annual Report 2019.
<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>	:	<p>The Board of Directors (BOD) has established a pragmatic risk management and internal control oversight function. The BOD sets the tone from the top, and it ensures that the risk management and controls set-up embed the principles of ISO31000:2018 which include:</p> <ol style="list-style-type: none"><li>1) An integrated function;</li><li>2) Structured and comprehensive;</li><li>3) Customized;</li><li>4) Inclusive;</li><li>5) Dynamic;</li><li>6) Based on best available information;</li><li>7) Risk-based thinking culture; and</li><li>8) Continual improvement.</li></ol> <p>The BOD has approved the Risk Management Policy &amp; Framework (RMPF) that serves as a documentary guide and reference for risk management implementation. The RMPF is reviewed periodically for continuous improvement.</p> <p>The Audit &amp; Risk Management Committee (ARMC) is mandated to support the BOD with the risk oversight function, which include:</p> <ol style="list-style-type: none"><li>1) Establishing risk management policies and procedures;</li><li>2) Implement and maintain a sound system of risk management and internal control which identifies, assesses, manages and monitors key business risks;</li><li>3) Reviews the effectiveness of the risk management framework adopted and the risk management processes employed, including the allocation of resources to implement such a framework; and</li><li>4) Provide assurance to the Board on whether the risk management system is operating adequately and effectively.</li></ol> <p>The Management is tasked to identify, analyse, evaluate and treat the risks associated to the business and operations of the Group and is responsible for designing effective internal control measures and formulating mitigation strategies.</p>

	<p>All employees of the Group are responsible for managing risks within their respective areas of responsibilities. 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.</p> <p>The Group’s internal controls system adopts a “3 Lines of Defence” approach:</p> <ol style="list-style-type: none"> <li>1) The first line of defence consists of management control and internal control measures residing in the operational and business units;</li> <li>2) Risk oversight functions as the second line of defence, facilitated by Group Risk Management; and</li> <li>3) Audit oversight as the third line of defence by the Group Internal Audit.</li> </ol> <p>Further information is disclosed in the Statement on Risk Management and Internal Control (SORMIC) of Integrated Annual Report 2019.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

### 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>	:	<p>The Board of Directors has approved the Statement on Risk Management and Internal Control (SORMIC) disclosure in the Integrated Annual Report 2019.</p> <p>Key information in the SORMIC disclosure includes:</p> <ol style="list-style-type: none"> <li>1) Details of MRCB Group's Risk Management Policy &amp; Framework (RMPF) which contains details of its risk management and internal control framework;</li> <li>2) Key Risk Management Initiatives in 2019</li> <li>3) Key Risks and Mitigations in 2019; and</li> <li>4) Assurance that the risk management and internal control system of the Group is operating adequately and effectively for the financial year ended 31 December 2019 and up to the date of the statement.</li> </ol>	
<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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Audit &amp; Risk Management Committee oversees the Group's risk management framework and policies. With effect from 12 January 2019, all members of the Audit &amp; Risk Management Committee are Independent Directors.</p> <p>The Terms of Reference of the Audit &amp; Risk Management Committee is available on the Company's website, <a href="http://www.mrcb.com">www.mrcb.com</a>.</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.

<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 Group Internal Audit Department (“GIA”) which operates independently of management and reports directly to the Audit &amp; Risk Management Committee (“ARMC”). The GIA has direct access to the ARMC Chairman on all internal control and audit issues. The GIA also communicates with external auditors to assist in clarifying matters raised by the external auditors where necessary.</p> <p>The principal role of the GIA is to undertake audits and reviews to evaluate the effectiveness of internal controls, governance and risk management processes to provide independent and objective assurance to the Board and Management on the adequacy and integrity of the Group’s internal control systems, governance and risk management processes.</p> <p>The ARMC reviews and approves the annual internal audit plan to ascertain the extent of its scope and coverage of the Group’s activities, including the adequacy of the GIA’s resources in supporting completion of the plan. The internal audit reports in respect of the Group’s operations are reviewed and deliberated by the ARMC every quarter. The internal audit reports comprise key audit findings, auditors’ recommendations, Management’s responses to the findings and agreed action plans. Continuous follow-up reviews are also carried out to ascertain the status of the implementation of corrective and preventive measures taken by Management that were provided in response to audit findings raised previously. The status of these Management action plans are also reported to the ARMC for its review at each quarterly meeting.</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

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>	:	<p>The Internal Audit function of the Group is carried out by MRCB’s Group Internal Audit Department (“GIA”). The GIA operates independently of management and reports directly to the Audit &amp; Risk Management Committee (“ARMC”). The GIA comprises ten auditors, and is headed by Kailash Herkishan, who holds a Bachelor’s degree in Accountancy from University Malaya and is a member of the Malaysian Institute of Accountants (“MIA”) and the Malaysian Institute of Certified Public Accountants (“MICPA”). He has extensive experience in internal and external audit. The internal auditors have relevant qualifications, and all staff are encouraged to continuously enhance their knowledge, skills and competencies by attending relevant professional education, seminars, formal training and on-the-job training. Internal Audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence.</p> <p>The objectives, mission, scope, organization, authority and responsibilities of the Internal Audit function are spelt out in the Internal Audit Charter, which has been approved by the ARMC. The GIA adopts a risk-based audit approach in its annual audit planning which takes into consideration the risk assessment, business plan, previous audit results, as well as the ARMC’s and Management’s inputs. The audits are guided by the established internal audit framework of the Group as well as the International Professional Practices Framework of the Institute of Internal Auditors.</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

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>	:	<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 and Investor Relations Android app, analyst briefings and engagement forums by the Investor Relations team, amongst others. In 2019, the Investor Relations team conducted 39 engagement sessions and met with 126 investment professionals. Further details on communication with stakeholders and various other stakeholder engagement activities can be found in the Management Discussion &amp; Analysis and Corporate Governance Overview Statement in the Integrated Annual Report 2019.</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**

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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has adopted Integrated Reporting one year ahead of schedule with the publication of its Integrated Annual Report 2019. The Report incorporates the guiding principles and content elements as prescribed by the International Integrated Reporting Council’s International Integrated Reporting Framework.</p> <p>As Integrated Reporting is an on-going journey, the Group will continue improving its Integrated Annual Reports in line with global best practices.</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**

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>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>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 an urgent work commitment overseas.</p> <p>A Non-independent Non-executive Director of the Company could not attend the Extraordinary General Meeting of the Company held on 14 February 2019 due to a work commitment overseas. All Directors attended the Annual General Meeting of the Company held on 30 May 2019.</p> <p>At the Group's Annual General Meeting every year, the meeting is only brought to an end by the Chairman after all questions raised from the floor have been answered.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	All the Directors are fully committed to attend the General Meetings of the Company.	
<b>Timeframe</b>	:	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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<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 public transportation 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 was approved at the last Annual General Meeting held on 30 May 2019 contains provisions 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 outcome 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. The polling results are 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>		
<b>Measure</b>	:	MRCB is exploring suitable and reliable systems to facilitate voting in absentia and remote participation by shareholders. MRCB will carefully consider all factors including all applicable requirements, necessary framework and processes, data and cyber security, as well as communication to shareholders, for implementation in due course.
<b>Timeframe</b>	:	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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