

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 1651  
**COMPANY NAME** : Malaysian Resources Corporation Berhad  
**FINANCIAL YEAR** : December 31, 2020

## 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 Management Discussion &amp; Analysis section of the Integrated Annual Report 2020.</p> <p>The Board is committed to ensuring that there is a strong and effective system of corporate governance in place to support the successful execution of the Group's strategy. This is achieved via a delegated authority framework, which ensures that decisions are taken by the right people, at the right level and that there is clear accountability up to the Board.</p> <p>In carrying out its duties and responsibilities, the Board is assisted by four Board committees, namely the Audit &amp; Risk Management Committee ("ARMC"), Nomination &amp; Remuneration Committee ("NRC"), Executive Committee ("EXCO") and Long-Term Incentive Plan Committee ("LTIP 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 2020, as well as the 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 corporate plans and programmes, annual budget including major capital commitments, new ventures, material acquisitions and disposals of undertakings and assets, and change to the Management control and structure within the Company and its subsidiaries. The Board 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 in the decision making process by management working committees such as the Tender Cost Committee, Pre-Qualification Committee, various Risk Management Committees, and other working groups.</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 2020.</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 is responsible for the overall leadership and efficient functioning of the Board. 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 Company;</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> <li>▪ Leading the creation of an effective corporate governance system, including the establishment of Board Committee structures and their Charters;</li> <li>▪ Ensuring decisions are taken on a sound and well-informed basis, following detailed discussions in which dissenting views can be freely expressed; and,</li> <li>▪ Leading efforts to address the Board's developmental needs.</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>	:	The Board practices a clear demarcation of duties and responsibilities between the Chairman and the Group Managing Director to ensure there is a balance of power and authority in the Board. 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/corporate-governance/">www.mrcb.com/corporate-governance/</a> .
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary is a chartered practitioner and a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). He is an associate member of the Institute of Chartered Secretaries and Administrators (UK) since 1988. He is bound by MAICSA's Code of Professional Ethics and Conduct to Act as Company Secretaries. He possesses the requisite experience to provide unhindered advice to the Board to ensure its effective functioning and compliance with regulatory requirements</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 2020.</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>	:	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 a secured collaborative software. In addition to easing the distribution of papers and minimising potential leakage of sensitive information, this approach enables Directors to access, review, and collaborate with their peers on the papers, anytime and anywhere.  Board decisions are disseminated to the relevant departments within 2 working days from the meeting. The minutes are circulated to the Directors in a timely manner.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is guided by a Board Charter that sets out the principal role of the Board, the functions, responsibilities and powers of the Board and its various committees, together with a schedule of matters reserved for the Board. This document was established by the Board to ensure that Directors are aware of their fiduciary duties and responsibilities, particularly their responsibility to shareholders and the need to always conduct themselves to the highest ethical standards.</p> <p>The Board Charter is reviewed and updated from time to time, with the last revision being made on 22 November 2018. This document can be viewed at <a href="http://www.mrcb.com/corporate-governance/">www.mrcb.com/corporate-governance/</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/corporate-governance/">www.mrcb.com/corporate-governance/</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. The policy can be viewed at <a href="http://www.mrcb.com/corporate-governance/">www.mrcb.com/corporate-governance/</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Since the retirement of the Senior Independent Director, Jamaludin Zakaria on 14 July 2020, the Board comprises 6 members, of which 3 (50%) members are Independent Directors, including the Chairman.  Though our application of this Practice has been impacted by Jamaludin Zakaria's retirement during the year, the Board aims to appoint his replacement as soon as practicable, to restore the previously held majority of Independent Directors on the Board. In seeking for a replacement, great care is being taken to ensure that the candidate will complement the skills and expertise of the existing Board and will contribute to the diversity of the current Board composition.	
<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>	:	July 2020	December 2021

### 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>	:	As a matter of policy, the Board has established that the tenure of Independent Directors shall not exceed a cumulative term of nine (9) years. Long tenures could lead to the development of a sense of familiarity with Management and sympathy for their interests, which may erode an Independent Director's objectivity, as outlined within Practice 4.2 of the MCGG 2017. Jamaludin Zakaria, our former Senior Independent Director, retired from the Board this year having served on the Board of MRCB for nine (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 a range of factors that include skills, experience, character, 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 appointment process and the Board composition in terms of board tenure, board balance, gender diversity, and experience can be found in the Corporate Governance Overview Statement in the Integrated Annual Report 2020.	
<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>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board currently comprises 2 women Directors which constitutes 33% 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

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>	:	<p>MRCB practices a formal and transparent process on the appointment of new Directors. The nomination of Non-Independent Non-Executive Directors (NINED) to the Board is the prerogative of the major shareholders of the Company, as defined within Bursa Malaysia's Main Market Listing Requirements (MMLR). The nomination of Independent Non-Executive Directors (INED) to the Board may be made via the recommendations from existing Board members and/or through the engagement of a professional recruiting firm to identify suitably qualified candidates for any vacant positions.</p> <p>The Nomination &amp; 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 &amp; Remuneration Committee.</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 4.7**

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, Hasman Yusry Yusoff.	
<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>KPMG Management &amp; Risk Consulting Sdn Bhd (“KPMG”) was appointed by MRCB to undertake an independent evaluation of the effectiveness of the main Board and its various Committees, the contribution of each individual Director, along with the objectivity of each Independent Director in 2020.</p> <p>The scope of work of KPMG’ appointment includes 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 2020.</p> <p>The core methodology or approach employed by the Consultant was as follows:</p> <ul style="list-style-type: none"><li>▪ Gain an understanding of MRCB’s organisational philosophy, expectations of Directors’ roles and responsibilities and expectations of MRCB’s Board and Board Committees.</li><li>▪ Review the established Board Charter and Terms of References (TOR) for MRCB’s Board and Board Committees, findings from past BEE exercises, as well as all relevant policies and procedures governing the conduct of the Board and the Board Committees.</li><li>▪ Conduct macro analysis of issues impacting MRCB based on market news scanning and press clipping reviews.</li><li>▪ Develop suitable assessment criteria based on prevailing documentation, regulatory provisions, macro analysis, as well as emerging and leading practices, tailored to suit MRCB’s needs.</li><li>▪ Conduct analyses based on the written responses provided by Directors and insights gleaned from all Directors during the interview sessions.</li></ul>

	<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 KPMG:</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>KPMG also interviewed all Directors and four Senior Management in relation to the BEE.</p> <p>Based on the findings of the BEE, the Board is also satisfied with the performance and effectiveness of the Board Committees in providing sound advice and recommendations to the Board for the year under review.</p> <p>Although the overall BEE was favourable, KPMG 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 MCCG. The policy can be viewed on the Company's website, <a href="http://www.mrcb.com/corporate-governance/">www.mrcb.com/corporate-governance/</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 2020.</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/corporate-governance/">www.mrcb.com/corporate-governance/</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 2020.
<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 2020 is disclosed in the Corporate Governance Overview Statement in the Integrated Annual Report 2020. 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 (5) Senior Management is set out in the Corporate Governance Overview Statement in the Integrated Annual Report 2020.

**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, a Senior 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/corporate-governance/">www.mrcb.com/corporate-governance/</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 their firm’s requirements, with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants and with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”).	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Members of the Audit & Risk Management Committee are financially literate, the majority of whom have accounting qualifications. 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 2020.
<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> <ul style="list-style-type: none"> <li>▪ Integrated - The Group adopts risk management as an integral part of the Group's processes;</li> <li>▪ Structured and comprehensive - The Group adopts a systematic, timely and structured approach to risk management;</li> <li>▪ Customized - Risk management framework and process are customised to align with the Group's vision, mission and objectives;</li> <li>▪ Inclusive - Appropriate representative and views from internal stakeholders are considered during risk assessment process;</li> <li>▪ Dynamic – Risk assessment consider changes in internal and/or external context;</li> <li>▪ Best available information – Risk is assess based on historical and current information as well as future expectations, limitations and uncertainties;</li> <li>▪ Human and cultural factors - Risk management are significantly influence by human behaviour and culture.; and</li> <li>▪ Continual improvement - The Group develops and improve risk management maturity through learning and experience.</li> </ul> <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> <ul style="list-style-type: none"> <li>▪ Establishing risk management policies and procedures;</li> <li>▪ Implement and maintain a sound system of risk management and internal control which identifies, assesses, manages and monitors key business risks;</li> <li>▪ 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;</li> <li>▪ Provide assurance to the Board on whether the risk management system is operating adequately and effectively; and</li> <li>▪ Review the Statement on Risk Management and Internal Control.</li> </ul>

		<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. Periodic risk assessment was conducted to identify, analyse, evaluate, treat and report significant risks that may affect the achievement of the Group’s business objectives. 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 being formulated.</p> <p>The Group’s internal controls system adopts a “3 Lines of Defence” approach:</p> <ul style="list-style-type: none"> <li>▪ The first line of defence consists of management control and internal control measures residing at the operational level of the business units;</li> <li>▪ Risk oversight functions as the second line of defence, facilitated by Group Risk Management; and</li> <li>▪ Audit oversight functions as the third line of defence by the Group Internal Audit.</li> </ul> <p>Further information is disclosed in the Statement on Risk Management and Internal Control (SORMIC) of the Integrated Annual Report 2020.</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 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 following to be disclosed in the Integrated Annual Report 2020.</p> <ol style="list-style-type: none"> <li>1) Statement on Risk Management and Internal Control (SORMIC) which includes disclosure on: <ol style="list-style-type: none"> <li>a. Responsibility and accountability for the implementation of risk management process;</li> <li>b. Risk management governance that consists of a Risk Oversight Structure, Risk Management Policy and Framework (RMPF), and Enterprise Risk Management (ERM) process;</li> <li>c. Main feature of internal control and internal control initiatives which have been in place throughout the year 2020; and</li> <li>d. Assurance that the risk management and internal control system of the Group is operating adequately and effectively for the financial year ended 31 December 2020 and up to the date of the statement.</li> </ol> </li> <li>2) Key Risk and Mitigations which include the disclosure of Key Enterprise Risks (KER) that may impact the ability of the Group to achieve its strategic objectives. These risks are monitored and managed within the Group's acceptable appetite and tolerance levels.</li> </ol>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Companies 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. Majority of the 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/corporate-governance/">www.mrcb.com/corporate-governance/</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 five 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 2020, the Investor Relations team conducted 26 engagement sessions and met with 127 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 2020.</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 adopted Integrated Reporting for a second year with the publication of its Integrated Annual Report 2020. 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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Due to the outbreak of Covid-19 pandemic and the Government's advice against any forms of physical gatherings to mitigate further escalation of the COVID-19, the Company has conducted its 49<sup>th</sup> Annual General Meeting ("AGM") on 14 July 2020 in a fully virtual manner through live streaming from the broadcast venue at KL Sentral room, Level 30, Menara Allianz Sentral.</p> <p>In line with the <i>SC Guidance Note on the Conduct of General Meetings for Listed Issuers</i> issued on 18 April 2020, only the Chairman, the GMD, 2 Independent Directors, the GCFO and the Company Secretary of the Company were present at the Broadcast Venue, whilst the remaining Directors participated virtually. Overall, full attendance was observed by all Directors.</p> <p>The AGM serves as the principal platform for the Board and Senior Management of the Company to present the financial highlights, investment portfolio updates, operational performance, market outlook and strategic trajectory. The shareholders are encouraged to actively participate during AGMs by raising questions and providing feedback to the Board and Senior Management.</p> <p>Feedback gathered during the AGM are evaluated and considered for further action by the Board and Senior Management.</p> <p>All questions raised during the 49<sup>th</sup> AGM were uploaded onto the corporate website for easy access. Minutes of the previous AGM is also made available on the corporate website of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Currently, the Company has approximately 40,000 shareholders with the majority shareholders being Malaysians.</p> <p>The decision to organise a virtual AGM allowed the Company to continue to meet our obligations to our shareholders, in line with the <i>SC Guidance Note on the Conduct of General Meetings for Listed Issuers</i> issued on 18 April 2020. It also allowed the Company to comply with public gathering restrictions imposed by the Government to prevent further spread of COVID-19.</p> <p>Shareholders were able to log on and participate remotely as well as pose queries online via the technology platform provided by Boardroom Share Registrars Sdn Bhd. All questions raised during the 49<sup>th</sup> AGM were uploaded onto the corporate website for easy access.</p> <p>As required under Bursa Malaysia Securities Berhad's Main Market Listing Requirements, all resolutions tabled during AGM are voted by poll and the results and procedures were validated by GovernAce Advisory and Solutions Sdn Bhd, an independent scrutineer.</p> <p>The Board is satisfied with the procedures and conduct of the 49<sup>th</sup> virtual AGM and is prepared to maintain the same approach for our 50<sup>th</sup> AGM, in view of the prevailing number of positive cases and for the health and safety of all participants. It is hoped that the COVID-19 pandemic conditions will ease in 2021.</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>	:	

**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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