

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5026
COMPANY NAME : MHC PLANTATIONS BHD
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 PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

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

Practice 1.1

The board should set the company’s strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company’s values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board assumes full responsibility for the operations of the Group and plays an active role in the development of the Company’s strategy. The Board considers all aspects of the operations of the Group, particularly in the following areas:</p> <ul style="list-style-type: none"> • Reviewing and adopting a strategic business plan for the Group. • Overseeing the conduct of the business of the Group. • Identifying and putting in place systems to manage any principal risk. • Succession planning for senior management. • Developing and implementing an investor relations programme or shareholder communications policy. • Reviewing internal control and management information systems. <p>The Management would present to the Board its recommended Strategic Business Plan and Budget, and the Board would review and deliberate on the matter. The Board would then conduct a mid-year review of the Budget as well as the financial performances, whereby the targets set by the Board were compared against the actual performance for the year to date.</p>
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Executive Chairman is responsible for ensuring Board effectiveness and conduct, and managing Board meetings to ensure robust decision-making, including providing leadership for the Board, and ensuring that the Board carries out its responsibilities in the best interest of the Company and all key issues are discussed in a timely manner. The Executive Chairman is also tasked with facilitating active discussion and participation by all Directors and ensuring that sufficient time is allocated to discuss all relevant issues at Board meetings.</p> <p>The Board, led by the Executive Chairman, currently comprises five members who bring with them a wide mix of knowledge, business acumen, industry expertise and financial experience which are invaluable assets required in their thorough examination and deliberations of the various key issues and matters involving the Group.</p> <p>The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is available on the Company’s website at www.mhc.com.my</p>
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Executive Chairman is Dato’ Seri Mah King Seng and the Managing Director is Tan Sri Dr Mah King Thian, hence the two (2) positions are held by different individuals. The roles of the Executive Chairman and the Managing Director are distinct and segregated with responsibilities clearly drawn out to ensure a balance of power and authority, so that no one individual has unfettered power of decision.</p> <p>The Executive Chairman is responsible for ensuring Board effectiveness and conduct and governance, and managing the Board meetings to ensure robust decision-making, including providing leadership for the Board, and ensuring that the Board carries out its responsibilities in the best interest of the Company and all key issues are discussed in a timely manner.</p> <p>The Executive Chairman is also tasked with facilitating active discussion and participation by all Directors and ensuring that sufficient time is allocated to discuss all relevant issues at Board meetings.</p> <p>The Managing Director on the other hand is primarily responsible for managing the Group’s day-to-day operations, implements of policies and decisions and with his expertise and intimate knowledge of the business of the Group, he is able to efficiently practise “hands on” management in his specific areas of responsibilities.</p>
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretary of MHC has legal qualifications and is qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016. The Company Secretary has attended all Board and Board Committee meetings to ensure that deliberations at Board and Board Committee Meetings are well captured and minuted.</p> <p>The Company Secretary also play an important advisory role to the Board and update and advise the Board regularly relating to compliance with the relevant regulatory requirements, codes or guidelines and legislations. She is responsible for developing and maintaining the processes that enable the Board to fulfil its role. The Company Secretary is charged with the duty of ensuring proper filing of all requisite documents and obtaining all the necessary information from the Directors, both for the Company’s own records and for meeting statutory requirements and regulatory obligations. The Board has unrescricted access to the advice and services of the Company Secretary. The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in discharging its functions. The roles and responsibilities of the Company Secretary have been set forth in the Board Chartered which is available on the Company’s website at www.mhc.com.my</p>
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is conscious of the importance of meeting materials to be disseminated in a timely manner to allow Directors to decipher the information presented and prepare for the Board and Board Committee Meeting.</p> <p>All Directors are provided with reports and other relevant information pertaining to the Group’s operations and performance on a timely basis. Board papers providing current reviews and updates on the operations, financial and corporate developments, quarterly financial reports, corporate developments, corporate announcements released to Bursa Securities, acquisition or disposal proposal, minutes of the previous meetings and any other important matters are circulated prior to the Board Meetings at least 5 days to give the Directors time to peruse the issues to be discussed at the Board Meetings.</p>	
Explanation for departure	:	N/A	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has formalised and adopted a Board Charter as a source of reference and induction literature as well as an insight for existing and prospective Board Members to assist the Board in the performance of their fiduciary duties. The Board Charter provides guidance to the Board pertaining to its role, duties and responsibilities and authority.</p> <p>The Board Charter clearly outlines the Board structure, the Board’s processes and the respective roles and responsibilities of the Board, Board Committees, Directors, Chairman, Chief Individual Executive Officer and the Management.</p> <p>The Board will review the Board Charter as and when is required and make any amendment as it deems necessary to ensure consistency and kept up to date in compliance with the regulations.</p> <p>The Board Charter is available on the Company’s website at www.mhc.com.my</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has also formalised a set of ethical standards through a code of conduct, which is subject to periodic review, to ensure Directors practise ethical, businesslike and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.</p> <p>Where any conflict of interests arises, it is a mandatory practice for the Director concerned to declare his interest and abstain from the decision making process.</p> <p>The Code of Conduct and Ethics is published on the Company's website at www.mhc.com.my</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied	
Explanation on application of the practice	:	Along with good governance practices and in order to enhance transparency and accountability, the Board has established and put in place the whistleblowing policies and procedures which are made available on the Company’s website at www.mhc.com.my	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board comprises five (5) members, of whom two (2) are Executive Directors and three (3) are Independent Non-Executive Directors, hence complying to this practice.</p> <p>All the three (3) Independent Non-Executive Directors satisfy the assessment test on independence of the Directors based on the provisions of the Listing Requirements, which covers a series of objective tests and is carried out before the appointment of the Independent Directors. Furthermore, the Board with assistance from the Nominating Committee will undertake to carry out annual assessment of the effectiveness of the Independent Non-Executive Directors and consider whether the Independent Non-Executive Directors can continue to bring independent and objective judgement to the Board deliberations. Any Director who considers that he has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decisions in any matter concerning the Company, is required to immediately disclose to the Board.</p>
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
Explanation on application of the practice	:	The Nominating Committee has recommended upon its annual assessment that Mr. Chan Kam Leong and Puan Wan Salmah Binti Wan Abdullah, an Independent Director who had served the Board for a term of 9 years but not exceeded 12 years, have remained objective and independent in expressing his views and in participating in deliberations and decision making of the Board and Board Committees. Hence, the Board will seek shareholders’ approval to retain them as an Independent Non-Executive Director in the forthcoming Annual General Meeting in 2020.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not adopted
Explanation on adoption of the practice	:	-

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	The Company will maintain a diversified Board and senior management team which would help in the growth of the Group. The Nominating Committee would consider factors such as time commitment of the Board.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:	N/A	
Explanation for departure	:	The Company does not have a policy on gender diversity but the Board however endeavours to have at least one woman Director participating on the Board at all times. The Board also endeavours to have diversity in its workforce in terms of experience, qualification, ethnicity and age. Currently, the Board has one female Director, Puan Wan Salmah Binti Wan Abdullah. The Board currently has 1 woman who sits on the Board, representing 20% of the total Board Members.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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

Application	:	Departure	
Explanation on application of the practice	:	N/A	
Explanation for departure	:	The current process with regards to the appointment of new Directors to the Board is based on the recommendation of the Nominating Committee (“NC”). The Board relies on the existing network and referrals from existing Directors, Senior Management and major shareholders as primary means to source for new Directors as they represent a tried and tested method of sourcing high-calibre directors with a sound understanding of the business.	
		The Directors appointment process is carried out based on methodical and robust process undertaken by the NC. Candidates recommended are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in Paragraph 2.20A of Bursa Securities’ Main Market Listing Requirements. The Board will consider external and independent sources if applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee comprises all the Independent Directors. The Chairman of the Nominating Committee is Mr. Chan Kam Leong.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied	
Explanation on application of the practice	:	At the Nominating Committee meeting held on 24 October 2019, the Nominating Committee had conducted and carried out an annual assessment of the Board and its individual members, the Audit Committee and its members, the Nominating Committee and the Remuneration Committee, assessing in the area of board diversity, composition and governance, decision-making and Boardroom activities, and skills and contribution of each Director. The Nominating Committee is satisfied with the current board size and the effectiveness of the Board/Board Committees and thus, no recommendation on the change of composition of the Board is made. The assessment and evaluation was properly documented.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established and put in place the remuneration policies and procedures which are made available on the Company’s website at www.mhc.com.my</p> <p>The remuneration of Non-Executive Directors is determined by the Board as a whole. The remuneration package for Executive Directors has been structured to link rewards to corporate and individual performance while Non-Executive Directors’ remuneration reflects the experience and level of responsibilities undertaken by individual Non-Executive Directors.</p> <p>Directors’ fees and benefits payable to the Directors of the Company are subject to the shareholders’ approval at the Company’s Annual General Meeting.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Remuneration Committee comprises a majority of Non-Executive Directors. The objectives of Remuneration Committee are as follows:-</p> <ul style="list-style-type: none"> • Reviewing and recommending to the Board a formal and transparent policy on the remuneration of the Executive Directors, fixing the remuneration packages of individual Directors and approving employee compensation and benefits. • Setting up a policy framework for all elements of remuneration such as reward structure, fringe benefits and other terms of employment of the Executive Directors. <p>The Terms of Reference of Remuneration Committee can be found on the Company’s website at www.mhc.com.my</p>	
Explanation for departure	:	N/A	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the FY2019 are disclosed in CG Overview Statement of the Annual Report 2019.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	N/A
Explanation for departure	:	<p>The Company does not comply with the recommendations to disclose the detailed remuneration of the top five Senior Management (ie. the top five highest paid executives) in bands of RM50,000 on a named basis by virtue of the sensitivity associated with the disclosure of such information.</p> <p>The Company notes that the disclosure of details in excess of the above may be detrimental to its business interests, given the competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company’s business activities, where poaching has become common place.</p> <p>The Company further believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company’s top five (5) senior management personnel who are not Directors.</p> <p>The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not adopted
Explanation on adoption of the practice	:	-

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairmanship of the Audit Committee and Board are held by different individuals. The Chairman of Audit Committee is Chan Kam Leong and the Chairman of the Board is Dato’ Seri Mah King Seng.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The ‘Restriction in Appointment of External Audit Partner’ policy is stated in the Terms of Reference of Audit Committee and made available on the Company’s website at www.mhc.com.my</p> <p>The Board has not appointed any former key audit partner as a member of the Audit Committee.</p>	
Explanation for departure	:	N/A	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit Committee had deliberated the outcome of the Evaluation of the External Auditor (EA) including the assessment of the Engagement Team’s qualification, credentials and experience, particularly in the financial service sector, the firm’s competitive advantage with global network resources, their audit work approach, and their ability to provide value added service as well as to perform the work within MHC’s timeline.</p> <p>Messrs Ernst & Young PLT (EY) had also confirmed their independence throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.</p> <p>The Audit Committee had on 25 February 2020 undertook an annual assessment of the quality of audit which encompassed the performance of the EA and was satisfied with the suitability of EY based on the quality of services and sufficiency of resources they provided to the Group, in terms of firm and the professional staff assigned to the audit. Hence, the Audit Committee decided to recommend to the Board for approval for the re-appointment of EY as EA of MHC and Group for financial year ending 31 December 2020.</p>	
Explanation for departure	:	N/A	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises three (3) members, who are all Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All members of the Audit Committee are credible professionals of caliber, who play key supporting roles by contributing their knowledge, guidance and experience towards making independent judgement on issues of strategies, performance, resources and standards of conduct.</p> <p>Majority of the members of the Audit Committee have the necessary financial and commercial expertise required to meet their responsibilities and provide an effective level of challenge to management.</p> <p>All the Audit Committee members receive ongoing training and development as detailed in the “Continuous Training of Directors” section of the CG Overview Statement on page 37.</p>	
Explanation for departure	:	N/A	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has put in place a risk management framework and ongoing process to assess the various types of risks, which might have an impact on the profitable operation of the Group’s business.</p> <p>The Board has established a formal Group Risk Management Committee that comprises the Managing Director and senior management. The Group Risk Management Committee is entrusted with the responsibilities of identifying and evaluating various critical risks that are considered likely to affect the profitable operation of the business units in the Group.</p> <p>The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control on Pages 44 to 47 of the Annual Report.</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control on Pages 44 to 47 of the Annual Report.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	-

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	In accordance with the Code and the Listing Requirements of Bursa Securities, the Board has established an internal audit function which reports directly to the Audit Committee. The function is currently outsourced to an independent professional firm, namely KPMG Management & Risk Consulting Sdn Bhd. The Audit Committee had also undertook an annual assessment of the quality of the internal auditor based on an assessment questionnaire, and no material issue and major deficiency had been noted which pose a high risk to the overall system of internal control under review.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied	
Explanation on application of the practice	:	The Group outsourced its internal audit function. The Internal Audit Function adopts a risk-based approach with focus on effective risk management practices. The role of the internal audit function, which reports directly to the Audit Committee, is to support the Audit Committee by providing it with independent and objective reports on the adequacy and effectiveness of the system of internal control and the extent of compliance with the procedures and by recommending ways to rectify shortfall and improve the existing control environment in relation to the Group’s operations. It submits its findings and recommendations to the Audit Committee and senior management of the Group. As the internal audit function is outsourced, it is not practical to disclose the number of resources in the said department, names and qualification of the person responsible for internal audit. However, the Audit Committee undertook the annual assessment of the quality of the internal auditor based on an assessment of questionnaire, and no material issue and major deficiency had been noted which pose a high risk to overall system of internal control under review.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of timely dissemination of information to its shareholders to keep them well informed of all major developments of the Group. Disclosures in the Annual Report, announcements and releases of the quarterly financial results provide the shareholders and the investing public with a periodic overview of the Group’s performance and operations.</p> <p>The Company uses the Annual General Meeting (“AGM”) as a forum for dialogue and interaction with all its shareholders. Shareholders are encouraged to attend and participate in the AGM. They will be given the opportunity to seek clarification on any matters pertaining to the Company’s affairs and performance, as the Directors and the representatives of the external Auditors will be present to answer any questions that they may have.</p> <p>The Board has identified Mr. Chan Kam Leong, the Independent Non-Executive Director, as the Liaison Director to whom the shareholders, management and others may convey their concerns.</p> <p>The Company’s website at www.mhc.com.my contains vital information concerning the Group which is updated on a regular basis and shareholders are able to put questions to the Company through the website.</p>
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:	-	
Explanation for departure	:	The Company is not required to comply this requirement as it is not a Large Company as defined by the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company dispatched the Notice of its AGM to shareholders at least 28 days before the AGM, which is well in advance of the 21 days requirement stipulated in the Companies Act 2016 and Main Market Listing Requirements.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Directors attend General Meetings and the Chairman of the Audit, Nominating, Remuneration and Risk Management Committees would be available at the 2020 Annual General Meeting to take any relevant questions posted by shareholders. Barring unforeseen circumstances, all other Directors will attend the General Meetings.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>As the Company does not have large number of shareholders and has less than 100 shareholders who attend its AGM, hence, the Board views that the current practice is suffice.</p> <p>The Company has adopted poll voting, in accordance with Paragraph 8.29A of the Bursa Securities’ Main Market Listing Requirements, at its 59th AGM held on 10 May 2019 for all resolutions proposed. Shareholders who are unable to attend the AGM are allowed to vote via proxy.</p> <p>The 59h AGM was held at the Company’s office. This venue was easily accessible and familiar to most shareholders of the Company since several past AGMs were held at the same venue.</p> <p>Taking into account the intended outcome of this practice, the Board will continue to monitor developments in the market in respect of new technologies to facilitate the conduct of meeting remotely and may consider implementing the same in the future if there is a strong case for change and is in compliance with legal requirements.</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

**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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