

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5085  
**COMPANY NAME** : MUDAJAYA GROUP BERHAD  
**FINANCIAL YEAR** : December 31, 2019

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("the Board") of Mudajaya Group Berhad ("the Company" or "Mudajaya") has general oversight of management of the Company and its subsidiaries ("the Group"). In order to ensure the effective discharge of the Board's functions and responsibilities, the Board has in place the Board Charter and has established Board Committees with clearly defined terms of reference.</p> <p>Together with senior management, the Board is committed to promoting good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour.</p> <p>The Board provides direction to Management on the Group's strategy and overall policies for long-term value creation for all stakeholders including shareholders and employees. It endeavours to do this by taking into account the interests of all stakeholders in its decisions.</p> <p>The Board is not directly involved in the day-to-day management of the Group but implements and monitors adequate guidelines and policies to ensure that Management acts in the best interest of the Group and its stakeholders, and observes and conforms to proper ethical, regulatory and legal requirements. In doing so, the Board will set limits of authority and boundaries for the actions that may be taken by Management and matters that it considers sufficiently material for its deliberation and approval.</p> <p>In the interest of business efficacy, the Board may delegate authority to achieve the corporate objectives of the Group to the Group Managing Director &amp; Chief Executive Officer ("Group CEO") and Executive Director, supported by an Executive Committee (a Management-level Committee). The Group CEO and Executive Director remain accountable to the Board for all actions taken by them pursuant to any such authority as well as for their performance in accordance with their contracts of service. Notwithstanding, the Board reserves the authority</p>

to consider and make decisions on any matter that it deems of significance to stakeholders and the Group. Furthermore, the Board may establish Key Performance Indicators (KPIs) for Management to ensure that they meet performance and delivery targets for the Group and will provide incentives for performance, and link remuneration and benefits to performance.

The key functions and roles of the Board include but are not limited to the following:-

- Setting and reviewing the objectives, goals and strategic plans for the Group with a view to maximising shareholders' value.
- Adopting and monitoring progress of the Company's strategies, budgets, plans and policies.
- Overseeing the conduct of the Group's businesses to evaluate whether the businesses are properly managed.
- Identifying principal risks of the Group's businesses and ensuring the implementation of appropriate systems to mitigate and manage these risks.
- Reviewing, challenging and deciding on Management's proposals/recommendations on key issues including acquisitions, divestments, joint ventures, restructuring, funding and significant capital expenditure; and monitoring its implementation by Management.
- Succession planning for the Board and senior management.
- Reviewing the adequacy and integrity of the Group's financial and non-financial reporting, internal control systems and management information systems.
- Ensuring the Company has in place procedures to enable effective communication with stakeholders.

The role of the Independent Directors is to take into account the interest of all shareholders and adopt an independent and objective stand on all matters before the Board. Independent Directors must vocalise their views on all matters and act in the best interest of the Group as a whole.

The Board has established Board Committees, namely the Audit Committee ("AC"), Combined Nomination and Remuneration Committee ("CNRC"), Investment Committee, Risk Management Committee and Options Committee to assist the Board with specific matters within their respective terms of reference. The terms of reference of these Board Committees have been approved by the Board but are continuously evaluated to ensure that they are adequate and relevant. Although specific powers are delegated to the Board Committees, the Board keeps itself abreast through the reports from the respective Chairmen of the Board Committees and the minutes of the Board Committee meetings. The ultimate responsibility for decision-making, however, lies with the Board.

	<p>The Board is mindful of the importance of building a sustainable business and therefore takes into consideration its environmental, social and governance impact when developing Mudajaya’s corporate strategies. Mudajaya’s sustainability agenda includes the following:-</p> <ul style="list-style-type: none"> <li>• Uphold high corporate governance standards and ethics across the organisation.</li> <li>• Streamlining all policies, processes and internal controls, and strengthening compliance with the relevant laws and regulations.</li> <li>• Extend local and international standards on health, safety, security, environment, human rights and ethics to all business partners.</li> </ul> <p>Mudajaya takes a proactive approach in managing potential environmental risks and impacts across the Group’s operations and comply with international standards such as ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. Mudajaya has also put in place processes to facilitate the disposal of construction waste in accordance with regulatory requirements. Annual recycling campaigns have been organised to promote recycling activities among the employees.</p> <p>The Group’s sustainability practices and activities for the financial year under review are disclosed in the Sustainability Statement in the Annual Report.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></p>	<p>:</p>

## 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 Chairman of the Board is Dato' Yusli Bin Mohamed Yusoff, an Independent Non-Executive Director. Dato' Yusli is primarily responsible for the leadership and governance of the Board, ensuring its effectiveness. The Chairman moderates and guides all meetings, and encourages active participation and contribution from all members of the Board.</p> <p>Key responsibilities of the Chairman include the following:-</p> <ul style="list-style-type: none"> <li>• Providing leadership for the Board so that the Board can perform its duties and responsibilities effectively.</li> <li>• Setting the board agenda and ensuring that Board members receive complete and accurate information in a timely manner.</li> <li>• Leading board meetings and discussions.</li> <li>• Encouraging active participation and allowing different/dissenting views to be freely expressed.</li> <li>• Managing the interface between Board and Management.</li> <li>• Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.</li> <li>• Leading the Board in establishing and monitoring good corporate governance practices in the Company.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 1.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The positions of Chairman and Group CEO are held by 2 different individuals. There is a clear division of responsibilities between the Chairman and the Group CEO to ensure that there is a balance of power and authority such that neither individual has unfettered powers over decision-making. Their division of responsibilities are outlined in the Board Charter.</p> <p>The Independent Non-Executive Chairman, Dato' Yusli Bin Mohamed Yusoff's primary role is to lead the Board in the oversight of Management and is responsible for ensuring the integrity and effectiveness of the governance process of the Board. He engages directly with the Group CEO, Mr James Wong Tet Foh to monitor performance and oversees the implementation of strategies.</p> <p>The Group CEO has the responsibility in the running of the day-to-day operation of the Group's businesses, and the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing the Group.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by suitably qualified and competent Company Secretaries who manage and direct the flow of information to the Board and its Committees. Both Company Secretaries are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).</p> <p>The Company Secretaries are responsible for developing and maintaining the processes that enable the Board to fulfil its roles, ensuring compliance with the Company's constitution and the relevant guidelines, regulatory and statutory requirements, and advising the Board on all governance matters.</p> <p>The Board is regularly updated and advised by the Company Secretaries on new statutory and regulatory requirements, and the implications on the Group and the Directors in relation to their duties and responsibilities. The Company Secretaries also oversee the adherence to Board policies and procedures.</p> <p>The Company Secretaries attend meetings of the Board, Board Committees and shareholders to ensure that these meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.</p> <p>The Company Secretary also assists in the Directors' training and development. The Directors have ongoing access to continuing education programmes as they are kept informed of relevant training programmes by the Company Secretary. The records of all training programmes attended by the Directors are maintained by the Company Secretary.</p> <p>All Directors have access to the advice and services of the Company Secretaries. The Company Secretaries constantly keep themselves abreast of the evolving regulatory changes and developments in corporate governance through attendance of training programmes, seminars and conferences. The Company Secretaries also monitor the developments in corporate governance and assist the Board in applying best practices to meet the Board's needs and stakeholders' expectations.</p>

<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Each Director has full and unrestricted access to all information pertaining to the Group's business affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties.</p> <p>The Directors will be informed by the Company Secretaries of the annual meeting calendar in advance of each new year to facilitate the Directors' time planning. The calendar that provides Directors with scheduled dates for meetings of the Board and Board Committees and the Annual General Meeting ("AGM"), as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results were circulated and tabled at the Board meeting held on 29 November 2019.</p> <p>The Board meets quarterly to review financial, operational and business performances, with additional meetings convened when necessary. The Board endeavours to deliberate on all important and material matters at physical meetings, however where urgent and unforeseen matters require a decision of the Board and a physical meeting is not possible, the available Directors endeavour to arrive at a consensus by conferring via telephone or other electronic means. The Board may make routine or administrative decisions via circular resolutions. In all cases, the Board decides after receiving the information it requires for an informed decision.</p> <p>All Directors are provided with an agenda and a set of agenda papers at least 5 business days prior to the Board and Committee meetings to enable the Directors to review and consider the items to be deliberated at the meetings. The Board papers include, inter alia, the progress report on the Group's developments, business plan and budget, quarterly financial results and minutes/decisions of meetings of the Board Committees. The Directors may seek advice from Management, or request further explanation, information or updates, where necessary. Additionally, the Board may receive further updates, reports and information to ensure that it is apprised of the latest key business, financial and operational matters.</p>

	<p>In May 2016, the Company implemented a paperless environment for all the Board and Board Committee meetings, using a solution that stores meeting documents digitally in a secured manner. This enables the Directors to access agenda papers via iPad instead of distribution of hard copies. In addition to agenda papers, various documents such as the Company’s constitution, terms of reference, policies, rules and guidelines are also uploaded using this solution for convenient reference. With this initiative, Directors are able to have access to these documents in a timely and more efficient manner.</p> <p>At the Board and Committee meetings, members of Management who attend Board and/or Board Committee meetings by invitation, will report and update on areas within their responsibility to give the Directors thorough insights into the business and affairs of the Group. The Board is also provided with relevant information in between Board meetings, such as important financial and operational updates.</p> <p>At Board meetings, the Chairman encourages constructive and healthy debates, and Directors are free to express their views. Any Director who has a direct or deemed interest in the subject matter shall abstain from deliberation and voting during the meeting. The proceedings of and resolutions passed at each Board and Board Committee meeting are minuted accordingly.</p> <p><b>Access to Independent and Professional Advice</b></p> <p>The Board or an individual Director may seek professional expert advice at the Company’s expense with prior approval from the Board on any matters in relation to the discharge of their responsibilities, when considered necessary.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
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<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

### 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 the Board Charter which sets out amongst others, the roles and responsibilities of the Board, Board Committees, individual Directors and Management in upholding good corporate governance standards and practices. The Board Charter also covers the composition of the Board; division of responsibilities between the Chairman and Group CEO; matters reserved for the Board's consideration and approval; procedures for convening Board meetings; Directors' remuneration and training; financial reporting; investor relations; and shareholder communication.</p> <p>The Board delegates the day-to-day management of the Group's businesses to the Group CEO but reserves those significant matters/key issues for its consideration and approval such as annual budget and business plan, acquisitions, divestments, restructuring, funding and significant capital expenditure. The Board also delegates certain responsibilities to various Board Committees with defined terms of reference.</p> <p>The Board Charter which serves as a source of reference for new Directors, will be reviewed periodically to keep it up-to-date with changes in regulations and best practices to ensure its effectiveness and relevance to the Board's objectives. The Board Charter is accessible in Mudajaya's website at <a href="http://www.mudajaya.com">www.mudajaya.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a formalised Code of Ethics and Conduct (“the Code”) which reflects Mudajaya’s vision and core values of integrity, respect, trust and openness. The Code provides clear direction on the conduct of business, workplace behaviour, relations with stakeholders and the wider community. It also includes guidance on disclosure of conflict of interests; maintaining confidentiality and disclosure of information; good practices and internal controls; compliance with relevant laws and regulations; and the duty to report where there is a breach of the Code, amongst others.</p> <p>The Directors and employees are expected to behave ethically and professionally at all times and protect the reputation and performance of the Group. The Code is communicated to all Directors and employees upon their appointment or employment.</p> <p>The Code is reviewed periodically by the Board when the need arises to address the changing conditions of the business environment.</p> <p>The Code is made available on Mudajaya’s website at <a href="http://www.mudajaya.com">www.mudajaya.com</a>.</p> <p><b>Insider Trading</b></p> <p>Notices on closed period for trading in the securities of Mudajaya are sent to Directors and principal officers on a quarterly basis specifying the timeframe during which the Directors and principal officers are prohibited from dealing in the securities and to comply with relevant requirements governing their trading in securities during closed period. The Board is also reminded not to deal in the securities when price-sensitive information is shared with them on any proposed transactions presented to them.</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>Mudajaya has in place a Whistleblowing Policy &amp; Procedure to provide an avenue and mechanism to all employees and stakeholders of the Group to report concerns in strict confidence about any suspected wrongdoing, inappropriate behaviour or misconduct relating to fraud, corrupt practices and/or other forms of inappropriate or unethical behaviour. The Policy was reviewed and approved by the Board on 27 February 2020.</p> <p>Dedicated channels for reporting have been established. Reports can be made anonymously without fear of retaliation or repercussions and will be treated confidentially. There is a process in place to independently investigate all reports received to ensure the appropriate follow-up actions are taken.</p> <p>The Whistleblowing Policy &amp; Procedure is published on Mudajaya's website at <a href="http://www.mudajaya.com">www.mudajaya.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board currently has 6 members, comprising the Independent Non-Executive Chairman, Group CEO, Executive Director, 2 Independent Non-Executive Directors and 1 Non-Independent Non-Executive Director. Half of the Board members consists of Independent Non-Executive Directors, to ensure balance of power and authority on the Board.</p> <p>During the financial year 2019, the CNRC in its annual assessment, reviewed the independence of Independent Non-Executive Directors. Based on their self-assessment of independence, the Independent Non-Executive Directors namely Dato' Yusli Bin Mohamed Yusoff, Mr Chew Hoy Ping and Dato' Amin Rafie Bin Othman have declared that they fulfilled the criteria of independence, as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and other independence criteria applied by the Company which took into account that the individual Director is independent of Management and free from any business or other relationship which could interfere with the exercise of independent and objective judgement.</p> <p>Based on the assessment, the Board is of the opinion that the Independent Non-Executive Directors consistently provided independent and objective judgement in all Board and Board Committee deliberations, and is satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to act in the best interest 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

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>	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	<p>Dato' Yusli Bin Mohamed Yusoff who was appointed on 13 July 2011, will be serving on the Board as an Independent Non-Executive Director for 9 years on 13 July 2020.</p> <p>Based on the self-assessment of independence, Dato' Yusli has declared that he satisfied and fulfilled all the criteria of independence, as defined under the Main Market Listing Requirements of Bursa Securities. Dato' Yusli has demonstrated that he is independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company.</p> <p>Upon the assessment and recommendation by the CNRC, the Board recommended for Dato' Yusli to continue to serve as an Independent Non-Executive Director of the Company, based on the following justifications:-</p> <ul style="list-style-type: none"><li>(a) Dato' Yusli fulfilled the criteria under the definition of "Independent Director" as stated in the Main Market Listing Requirements of Bursa Securities and thus, he would be able to function as a check and balance to the Board.</li><li>(b) Dato' Yusli performed his duties diligently and in the best interest of the Company, and brings an element of objectivity and independent judgement to the Board without being subject to influence of the Management.</li><li>(c) Based on the Director's Peer Evaluation undertaken by the Board, Dato' Yusli has performed satisfactorily in fulfilling his duties and responsibilities, including among others, contribution to Board deliberations, regular and timely attendance of Board meetings and understanding of the roles and responsibilities of an Independent Director. He has devoted time and commitment, and continued to exercise his independence and due care in</li></ul>

	<p>discharging his duties and responsibilities as an Independent Non-Executive Director.</p> <p>(d) Dato' Yusli's length of service with the Company enhanced his knowledge and developed valuable insights of the business operations of the Group, which enabled him to participate actively and contribute effectively during deliberations at Board and Board Committee meetings.</p> <p>The Company would be seeking shareholders' approval for the retention of Dato' Yusli as an Independent Non-Executive Director, at the forthcoming 2020 AGM.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

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

### Intended Outcome

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

### Practice 4.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The CNRC is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous, and that appointments are based on merit, skills and experience with due regard to the requirements of Chapter 2, Paragraph 2.20A of the Main Market Listing Requirements of Bursa Securities. In evaluating the suitability of individuals for Board membership, the CNRC ensures that the Board comprises individuals with the necessary background, skills, knowledge, experience and personal characteristics to complement the existing Board and meets its future needs.</p> <p>A proposed candidate is first considered by the CNRC who takes into account, among others, the skills and experience of the candidate, before making a recommendation to the Board for approval. A formal procedure and process has been established for the nomination and appointment of new Directors. The process for the nomination and appointment of new Directors is as follows:-</p> <ul style="list-style-type: none"><li>(a) The CNRC will assess and identify the skills required for the Board, taking into consideration the diversity factor, including but not limited to age, race, gender, experience and skills.</li><li>(b) Selection of candidate. Candidate may be nominated by the Chairman, Director, senior management or shareholder of the Company.</li><li>(c) Obtain the profile/curriculum vitae and relevant information from the candidate.</li><li>(d) Interview the candidate by the CNRC, if necessary.</li><li>(e) Table the candidate's profile/curriculum vitae and relevant information to the CNRC for deliberation and assessment, based on the following:-<ul style="list-style-type: none"><li>i) background, character, competence, integrity and time commitment (i.e. number of existing directorships and other positions that involve significant time commitments);</li><li>ii) qualifications, skills, expertise and experience;</li><li>iii) professionalism; and</li><li>iv) in the case of candidates for the position of Independent Non-Executive Directors, the candidate's independence and</li></ul></li></ul>

	<p>ability to discharge such responsibilities as expected from Independent Non-Executive Directors, will be evaluated.</p> <p>(f) Recommendation to the Board for approval.</p> <p>(g) A formal invitation to join the Board to be extended by the Chairman after approval by the Board.</p> <p>(h) Complete documentation process i.e. candidate to execute relevant documents required under the Companies Act 2016, Main Market Listing Requirements of Bursa Securities and other applicable regulations.</p> <p>(i) Organise induction programme for the newly appointed Director.</p> <p>Diversity of gender, ethnicity and age within the Board is also important, and this includes appropriate mix of skills, experience and competencies which are relevant to enhance the Board's composition. The Board recognises that the evolution of this mix is a long-term process that is deliberated each time a vacancy arises to ensure a balanced and diverse Board composition is maintained.</p> <p>There was no new appointment of Director or key senior management during the financial year under review.</p> <p>Appointments of key senior management are also based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

### Intended Outcome

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>	:	<p>The Board does not have a specific policy on gender diversity but the CNRC is mindful of its responsibilities to conduct all Board appointment processes in a manner that promotes gender diversity pursuant to the recommendation stated in the Malaysian Code on Corporate Governance (MCCG) 2017. The CNRC will endeavour to consider both suitable male and women candidates, and candidates of all ethnicities in the recruitment exercise, when the need arises.</p> <p>The CNRC would look into the current diversity of skills, experience, age and ethnicity of the existing Board in seeking potential candidate(s). This helps to ensure an appropriate balance between the experience perspectives of the long-term Directors and new perspectives that bring fresh insights to the Board.</p> <p>In respect of workforce diversity, the Group is an equal opportunity employer and all appointments and employments are based strictly on merits and are not driven by any racial or gender or age bias.</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 4.6**

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>A formal procedure and process has been established for the nomination and appointment of new Directors. The CNRC who is guided by this process, does not solely rely on recommendations from existing Directors, Management or major shareholders.</p> <p>The CNRC/Board will rely on varied approaches and sources to ensure that it is able to identify suitably qualified candidates. This may include sourcing from a directors’ registry, use of independent search firms or through recommendations from business associates/partners.</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>	:	<p>The CNRC comprises all Independent Non-Executive Directors. The CNRC is chaired by an Independent Non-Executive Director, Dato' Amin Rafie Bin Othman.</p> <p>The CNRC has written terms of reference dealing with its authority, duties and responsibilities, which is made available on Mudajaya's website at <a href="http://www.mudajaya.com">www.mudajaya.com</a>.</p> <p>The role of Chairman of the CNRC includes the following:-</p> <ul style="list-style-type: none"><li>• Leading in succession planning and appointment of new Directors; and</li><li>• Leading the annual review of Board effectiveness, ensuring that the performance of each individual Director is independently assessed.</li></ul> <p>Details of the CNRC's activities during the financial year are set out in the Corporate Governance Overview Statement contained in the Annual Report.</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

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>The Board annually evaluates its performance and governance processes with the aim of improving individual Director's contributions, and effectiveness of the Board and its Committees.</p> <p>During the financial year, a Board evaluation exercise facilitated by the Company Secretary, was carried out to assess the performance and effectiveness of the Board, Board Committees and each Director; and the independence of Independent Non-Executive Directors. The evaluation exercise was conducted via questionnaires, which were distributed to all the Directors and covered areas which include, amongst others, the Board mix, composition and structure; Board operations and activities; roles and responsibilities of Directors and Board Chairman; and performance/contribution of the Board Committees. The questionnaires are reviewed annually to continuously engage the Directors' perspectives on fresh and relevant areas.</p> <p>The CNRC and Board, in accordance with Chapter 15, Paragraph 15.20 of the Main Market Listing Requirements of Bursa Securities, also reviewed the term of office and performance of the AC and each of AC members, and they were satisfied that the AC and its members have carried out their duties effectively in accordance with the AC's terms of reference.</p> <p>The evaluation also encompassed Director's Self &amp; Peer Evaluation, assessing the individual Director's contributions and interaction; quality of input; and understanding of roles and responsibilities as a Director, as well as the assessment of mix of skills and experience. Performance of individual Directors were assessed against a range of criteria, as follows:-</p> <ul style="list-style-type: none"><li>(a) Participate actively in Board deliberations and share information/insights.</li><li>(b) Take strong constructive stands at Board or Committee meetings, where necessary.</li><li>(c) Regular and timely attendance of Board/Committee meetings.</li></ul>

	<ul style="list-style-type: none"> <li>(d) Maintain good relationship and able to work with other Directors and Management.</li> <li>(e) Ensure that contribution is relevant; up-to-date with changes in laws/regulations and industry developments.</li> <li>(f) Provide practical advice in Board/Committee deliberations.</li> <li>(g) Apply analytical and conceptual skills to decision-making process.</li> <li>(h) Exercise independence of judgement when considering issues before the Board.</li> <li>(i) Communicate persuasively in a clear and non-confrontational manner.</li> <li>(j) Has a clear understanding of the roles and responsibilities of a Director.</li> <li>(k) Attend meetings well prepared.</li> <li>(l) Take initiative to request for more information, where necessary.</li> </ul> <p>In the assessment of the independence of Independent Directors based on the criteria specified in the Main Market Listing Requirements of Bursa Securities, the Board was of the opinion that the Independent Directors consistently provided independent and objective judgement in all Board and Board Committee deliberations. The Board was also satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Company.</p> <p>The CNRC reviewed the overall results of the evaluations conducted and subsequently tabled the same to the Board and highlighted those areas which required further and continuous improvement. The assessment results also indicated that there was a good balance in the composition of the Board. The composition of the Board provides the appropriate size, and the Directors possessed the expertise and experience in a wide range of fields and areas from their diverse backgrounds and specialisations to assist the Board to lead and contribute positively and effectively to the Group.</p> <p>The CNRC also reviewed and recommended to the Board, those retiring Directors who are eligible to stand for re-election at the forthcoming 2020 AGM, namely Dato' Amin Rafie Bin Othman and Mr Lee Eng Leong. The recommendation was based on the review and assessment of the performance and contribution of these Directors. The Board approved the CNRC's recommendation to support the re-election of these Directors at the forthcoming AGM.</p> <p>All assessments and evaluations carried out by the CNRC are documented and maintained by the Company Secretary.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<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 policies for Directors and key senior management are reviewed by the CNRC prior to making its recommendation to the Board for approval.</p> <p>The objective of Mudajaya's remuneration policies is to attract and retain Directors and key senior management of high calibre needed to run the Company successfully. The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance. Market survey data on the remuneration practices of comparable companies is taken into consideration in determining the remuneration packages for the Executive Directors.</p> <p>For Non-Executive Directors, the level of remuneration reflects their experience, expertise and level of responsibilities undertaken by the Non-Executive Directors concerned. Market survey data is also used to benchmark the Directors' fees and benefits before recommendation is made to the Board.</p> <p>The Board collectively determines the remuneration for the Non-Executive Directors based on the recommendation from the CNRC. Each of the Non-Executive Directors would abstain from deliberating and voting in respect to his individual remuneration. Directors' fees and benefits payable to the Non-Executive Directors are subject to the approval of shareholders at the AGM.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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>	<p>The CNRC consists of all Independent Non-Executive Directors and the members are as follows:-</p> <ul style="list-style-type: none"><li>(i) Dato' Amin Rafie Bin Othman (Chairman) <i>(Independent Non-Executive Director)</i></li><li>(ii) Dato' Yusli Bin Mohamed Yusoff (Member) <i>(Independent Non-Executive Director)</i></li><li>(iii) Chew Hoy Ping (Member) <i>(Senior Independent Non-Executive Director)</i></li></ul> <p>The role of the CNRC is to assist the Board in overseeing the remuneration policies for Directors and key senior management. The responsibility of the CNRC is to review the Executive Directors' performance in line with the corporate objectives and decides and recommends for the Board's approval, their remuneration package. The CNRC also reviews the remuneration package of the Non-Executive Directors and recommend the same for shareholders' approval at the AGM of the Company.</p> <p>The CNRC is authorised to commission independent advice for the purpose of discharging its duties and responsibilities. The written terms of reference of the CNRC which deals with its authority, duties and responsibilities, are available on Mudajaya's website at <a href="http://www.mudajaya.com">www.mudajaya.com</a>.</p> <p>The CNRC meets as and when required, and at least once a year. The CNRC met once during the financial year 2019 and the meeting was attended by all the Committee members.</p>

During the financial year 2019, the CNRC evaluated the Group CEO and Executive Director against the set performance criteria in respect of the preceding year, and reviewed and recommended their compensation packages for the Board's approval, with the Directors concerned abstaining from deliberation and voting on the same. The Board also reviewed and endorsed the CNRC's recommendation on the Non-Executive Directors' fees and benefits for shareholders' approval at the AGM.

The CNRC, at its meeting held in February 2020, reviewed and recommended for the Boards' consideration and approval, the proposed remunerations of the Group CEO and Executive Director in respect of financial year 2019 performance.

Under the current remuneration policy, the remuneration payable to the Non-Executive Directors of the Company comprises Directors' fees, fixed allowances and meeting attendance allowances ("Remuneration"). The other benefits accorded to the Chairman of the Board are company car and driver, which were also provided to him in the previous year.

The CNRC, at its meeting held in February 2020, reviewed and recommended the Remuneration payable to the Non-Executive Directors for the period from the forthcoming 2020 AGM until the conclusion of the next AGM of the Company to be held in 2021, in accordance with the remuneration structure as set out below:

	<b>Chairman of the Board</b>	<b>Chairman of Audit Committee</b>	<b>Chairman of other Board Committees</b>	<b>Other Non-Executive Directors</b>
Directors' Fees <i>(payable on monthly basis)</i>	RM200,000 per annum	RM80,000 per annum	RM80,000 per annum	RM80,000 per annum
Fixed Allowance <i>(payable on quarterly basis)</i>	RM100,000 per annum	RM55,000 per annum	RM6,000 per annum	-
Meeting Allowance for attendance of Board and Board Committee Meetings, and general meetings <i>(payable after each meeting)</i>	RM2,000 per meeting	RM2,000 per meeting	RM2,000 per meeting	RM2,000 per meeting
Other Benefits	Company car and driver	-	-	-

The Remuneration remain unchanged from the previous year.

	The Board reviewed and endorsed the CNRC's recommendation on the Remuneration for shareholders' approval at the forthcoming 2020 AGM.	
<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</b> :	Details of remunerations of the Directors of Mudajaya (received from the Company and on a group basis respectively) for the financial year ended 31 December 2019 are as follows:-																																																																																																																																																							
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<b>Explanation :</b> <b>for</b> <b>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>	:	Departure												
<b>Explanation on application of the practice</b>	:													
<b>Explanation for departure</b>	:	<p>The retention of talented employees is critical to the successful delivery of the Group's strategy. The Board is of the view that disclosing the remuneration of senior management on a named basis is not to the Group's advantage, as it may lead to other competitor companies attempting to 'poach' performing executives.</p> <p>The Company ensures that the remuneration packages of senior management are set at industry standards, and reflect the roles, responsibilities, level of skills and experience of senior management.</p> <p>The performances of senior management are evaluated on an annual basis and measured against the targets set for the year. The remuneration packages are reviewed annually and adjustments to their remuneration are made based not only on their individual performance and contributions in the preceding year, but also the Group's performance.</p> <p>The total remunerations of key management personnel are disclosed in the Company's Audited Financial Statements for the financial year ended 31 December 2019 contained in the Annual Report. The top 5 senior management's remuneration (including salary, bonus, allowances and other emoluments) for financial year 2019 are disclosed in the bands of RM50,000, as follows:-</p> <table border="1"><thead><tr><th>Range of Remuneration (per annum)</th><th>Number of Senior Management Personnel</th></tr></thead><tbody><tr><td>RM400,000 to RM450,000</td><td>1</td></tr><tr><td>RM650,000 to RM700,000</td><td>1</td></tr><tr><td>RM800,000 to RM850,000</td><td>1</td></tr><tr><td>RM1,350,000 to RM1,400,000</td><td>1</td></tr><tr><td>RM1,500,000 to RM1,550,000</td><td>1</td></tr></tbody></table>	Range of Remuneration (per annum)	Number of Senior Management Personnel	RM400,000 to RM450,000	1	RM650,000 to RM700,000	1	RM800,000 to RM850,000	1	RM1,350,000 to RM1,400,000	1	RM1,500,000 to RM1,550,000	1
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*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

**Intended Outcome**

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

**Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The AC Chairman is not the Chairman of the Board. The AC Chairman, Mr Chew Hoy Ping is the Senior Independent Non-Executive Director and a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. The Chairman of the Board is Dato' Yusli Bin Mohamed Yusoff.</p> <p>Details of the composition and activities of the AC are set out in the Audit Committee Report contained in the Annual Report.</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 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>	:	<p>The Board is cognisant of the importance of upholding independence. None of the Board members were former key audit partners within the cooling-off period of 2 years. Hence, there is no such person being appointed as a member of the AC.</p> <p>The Board/AC will observe a cooling-off period of at least 2 years in the event any potential candidate to be appointed as a member of the AC, is a former key audit partner.</p> <p>The AC Charter has been revised on 27 February 2019 to incorporate a clause stating that no former audit partner of Mudajaya's external auditors shall be appointed to the AC unless that person has observed a cooling-off period of at least 2 years before being appointed as a member of the AC.</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 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>	:	<p>The AC conducts assessment on the suitability, objectivity and independence of the external auditor annually.</p> <p>In February 2020, the AC undertook an assessment of the suitability and independence of the external auditors for their re-appointment as Auditors of the Company at the forthcoming 2020 AGM, which included a structured evaluation questionnaire completed by each member of the AC. The questionnaires which are used as an assessment tool, are based on a 4-scale rating or 'Yes' and 'No' answer, whichever is applicable for each question. The areas which were covered in the assessment encompassed the external auditors' performance in terms of skills, expertise and competencies, calibre of the external audit firm, independence and objectivity, audit scope and planning, reasonableness of audit fees, provision of non-audit services and quality of communications with the AC. This annual evaluation provides the AC with a disciplined approach for maintaining effective oversight of the external auditors' performance.</p> <p>The evaluation results were tabled at the AC meeting held on 25 February 2020. The external auditors have also provided written confirmation on their independence in accordance with the terms of the relevant professional and regulatory requirements. The AC was satisfied with the suitability and independence of the external auditors and thereby recommended to the Board for their re-appointment at the forthcoming 2020 AGM of the Company.</p> <p>The AC was also satisfied that the provision of non-audit services by the external auditors did not impair their objectivity and independence as external auditors.</p> <p>In addition, private sessions with the external auditors were held twice a year to review the extent of assistance rendered by Management and issues arising from their audit. The AC was satisfied with the openness in communication and interaction with the engagement partner and his team, which demonstrated their independence and professionalism.</p>



	Having regard to the outcome of the annual assessment of external auditors, the Board at its meeting held on 27 February 2020, approved the AC's recommendation for the re-appointment of external auditors, subject to the shareholders' approval being sought at the forthcoming 2020 AGM.	
<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>	:	Please provide an explanation on the adoption.

## 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> :	<p>All members of the AC are financially literate and have sufficient understanding of the Group's businesses. They are well-equipped with relevant knowledge and experience to effectively discharge their duties and responsibilities as members of the AC. Two of the AC members are members of the Malaysian Institute of Accountants. The qualification and experience of each member of the AC are disclosed in the Directors' Profile section of the Annual Report.</p> <p>The AC reviews and discusses with Management the Company's financial reporting, transactions and other financial information, and where required, challenges Management's assertions on the Company's financials.</p> <p>The AC demonstrates an appropriate level of vigilance and scepticism towards, among others, detection of any financial anomalies or irregularities on the financial statements.</p> <p>Where there are significant matters requiring judgement, the AC asks probing questions to ascertain whether the financial statements are consistent with operational and other information known.</p> <p>The AC reviews and provides advice on whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance.</p> <p>The Board reviews the term of office of the AC members and assesses the performance of the AC and its members through an annual evaluation. Based on the outcome of the evaluation for financial year 2019, the Board was satisfied with the AC's performance.</p> <p>All members of the AC had undertaken continuous professional development. During the financial year, the AC members attended training programmes as follows:-</p>

	Name of AC members	Training Programmes Attended
	Chew Hoy Ping	<ul style="list-style-type: none"> <li>• Audit Committee Conference 2019</li> <li>• Cyber Security in the Boardroom: Accelerating from Acceptance to Action</li> <li>• Introduction to Integrated Reporting &lt;IR&gt;</li> <li>• Corporate Liability under Section 17A of the MACC (Amendment) Act 2018</li> <li>• Audit Oversight Board: Conversation with Audit Committees</li> </ul>
	Dato' Yusli Bin Mohamed Yusoff	<ul style="list-style-type: none"> <li>• Training on Corporate Governance: Offence by Commercial Organisation Anti-Bribery Management System MS ISO 37001:2016</li> <li>• Corporate Governance</li> <li>• Financing the SDGS: Malaysian Private Sector Role in Bridging the Gap from Goals to Actions</li> <li>• Bursa Malaysia Diversity Xperience: The Board "Agender"</li> <li>• Malaysian Financial Reporting Standards (MFRS) 16 Leases</li> </ul>
	Wee Teck Nam	<ul style="list-style-type: none"> <li>• Audit Committee Conference 2019</li> </ul>
<b>Explanation :</b> <b>for</b> <b>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 has the ultimate responsibility of approving the risk management framework and policy as well as overseeing the Group's risk management and internal control framework.</p> <p>Mudajaya has in place an ongoing process for identifying, evaluating and managing significant risks that may affect the achievement of the business objectives of the Group. The Board through its Risk Management Committee, reviews the key risks identified on a regular basis to ensure proper management and mitigation of risks within its control. The Board is also assisted by the AC in the review and assessment of the adequacy and effectiveness of the risk management and internal control system.</p> <p>The Group has a formalised Enterprise Risk Management Framework encompassing a group-wide risk policy, and the roles and responsibilities for oversight, management and reporting of risks. The Enterprise Risk Management Framework was reviewed and approved by the Board on 27 February 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 acknowledges its overall responsibility for establishing and maintaining an adequate and effective system of risk management and internal control to safeguard shareholders' investments and the assets of the Group.</p> <p>There is an ongoing process of identifying, evaluating and managing all significant risks faced by the Group throughout the year. A risk management framework together with the standard operating policy and procedure, which has been communicated to the Management team, serves as a guide to the Group's risk management policy, risk management processes and reporting framework.</p> <p>The Management team assists the Risk Management Committee and the Board in implementing the process of identifying, evaluating and managing the significant risks applicable to their respective areas of business and in formulating suitable internal controls to mitigate and control these risks. Each business unit submits their risk register and risk assessment report which are presented via the risk management department to the Risk Management Committee for deliberation. The Risk Management Committee reviews matters such as identification and responses to address significant risks, internal control systems, adequacy of risk mitigation actions within the Group's risk appetite and tolerance to enhance shareholders' investments, safeguarding of assets, enhance opportunities, reduce threats and maintain corporate sustainability.</p> <p>The Risk Management Committee receives from Management and the Internal Audit and Risk Management Department ("IARMD"), the Enterprise Risk Management report every 6 months for review. This report summarises the risk assessment and mitigation actions on the Group's high and significant risks.</p> <p>Details of the risk management and internal control framework are set out in the Statement on Risk Management and Internal Control contained in the Annual Report.</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 9.3 - 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>	:	The Risk Management Committee comprises a majority of Independent Directors i.e. 2 out of 3 members are Independent Non-Executive Directors.



### 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 and risk management functions are performed in-house by the IARMD, which reports directly to the AC.</p> <p>The main role of the IARMD is to undertake regular reviews of the Group's systems of controls, procedures and operations so as to provide independent and objective assurance to the AC regarding the adequacy and effectiveness of internal control, risk management and governance systems.</p> <p>Each year, the IARMD prepares yearly Internal Audit and Risk Management Plans for consideration and approval by the AC. The IARMD adopts a risk-based approach in developing the annual internal audit plan for approval by the AC. The IARMD is guided by the Internal Audit Charter on their authority, duties and responsibilities.</p> <p>The AC reviews the quarterly internal audit reports from the IARMD based on the approved audit plan on the effectiveness and adequacy of the governance, risk management, operational and compliance processes. Follow-up reviews on a quarterly basis were also undertaken to ascertain the status of implementation of prior quarter audit recommendations, the results of which were reported to the AC.</p> <p>Apart from the aforesaid internal audit mandate, the IARMD is also responsible for facilitating and assisting Management in maintaining a structured risk management framework to identify, evaluate and manage the significant risks facing the Group. The IARMD submits semi-annual reports on enterprise risk management for the Group to the Risk Management Committee for review and deliberation.</p> <p>In February 2020, the AC carried out an evaluation of the effectiveness of the internal audit function in respect of financial year 2019. The appraisal covered the adequacy of IARMD's scope, its functions, resources, authority and independence, as well as the competency of internal audit staff. The results of the evaluation were tabled at the AC meeting held on 25 February 2020. Overall, the AC was satisfied with the performance of the IARMD.</p> <p>The detailed activities carried out by the IARMD are disclosed under the Audit Committee Report contained in the Annual Report.</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>As at 31 December 2019, the Mudajaya Group's IARMD comprised 2 personnel. The name and qualification of each member of the IARMD are set out below:-</p> <ol style="list-style-type: none"><li>1. Mr Mok Yew Pong holds the position of the Head of IARMD. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants.</li><li>2. Mr Tan Hwan Sin holds the position of Senior Executive. He has a Bachelor of Accounting (Hons) and is a member of the Malaysian Institute of Accountants.</li></ol> <p>Under the supervision of the Head of IARMD, the IARMD conducts risk-based assignments across the Group's business units and operations in accordance with the Institute of Internal Auditors' <i>International Standards for the Professional Practice of Internal Auditing</i>.</p> <p>The internal audit function provides the Board with assurance over the adequacy, effectiveness and efficiency of risk management, internal control and governance processes employed across the Group.</p> <p>The IARMD has no direct authority or responsibility for the activities it reviews, and maintains a functional reporting line to the Chairman of the AC through the Head of IARMD.</p> <p>None of the IARMD personnel has any relationships or conflicts of interest that would impair the objectivity or independence of the function in the performance of their duties.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<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><b>Periodic and Continuous Disclosure</b></p> <p>The Board acknowledges the need for shareholders and other stakeholders to be informed of all material matters affecting the business and performance of the Company. Announcements to Bursa Securities are made on developments or events significantly affecting the Group. Financial results are released on a quarterly basis to provide shareholders and other stakeholders with a regular overview of the Group's performance. All announcements made by the Company to Bursa Securities are also available to shareholders and the market on the Investor Relations section of Mudajaya's website.</p> <p>The Company also arranges press interviews and briefings, and releases press announcements to provide information on the Group's business activities, performance and major developments, as and when necessary.</p> <p><b>Company Website</b></p> <p>The Company's website, <i>www.mudajaya.com</i> provides detailed information on the Group's businesses and latest development. The website has a dedicated section on investor relations and corporate governance which contains announcements to Bursa Securities, quarterly financial results and annual reports, among others.</p> <p><b>Shareholders and Investors Queries</b></p> <p>Whilst the Company aims to provide sufficient information to shareholders and investors about Mudajaya and its activities, it also recognises that shareholders and investors may have specific queries and require additional information.</p> <p>To ensure that shareholders and investors can obtain all relevant information about the Group, they are encouraged to direct their queries to:</p>

	Investor Relations Mudajaya Group Berhad PH1, Menara Mudajaya No. 12A, Jalan PJU 7/3 Mutiara Damansara 47810 Petaling Jaya Selangor Darul Ehsan Tel No: (603) 7806 7899 Email : info@mudajaya.com	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 11.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company does not fall within the definition of Large Companies.	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### 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>	:	<p>The Company's 2019 AGM was held on 19 June 2019. The notice for the AGM was issued on 30 April 2019, which was more than 28 days prior to the date of the AGM.</p> <p>The notice of AGM with sufficient information of businesses to be dealt with thereat, was sent to shareholders together with the Annual Report. The notice of AGM was published in one national newspaper to provide for wider dissemination of such notice to encourage shareholder participation. In addition, the notice of AGM and Proxy Form which were contained in the Annual Report, were posted on the websites of Mudajaya and Bursa Securities.</p> <p>Each item of special business included in the notice of AGM was accompanied by an explanatory statement for the proposed resolution to facilitate better understanding and enable shareholders to make an informed decision in exercising their voting rights.</p> <p>Notice of the forthcoming AGM will also be given to shareholders more than 28 days prior to the date of the AGM.</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 12.2

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>At the 2019 AGM, all the Directors were present in person to engage directly with shareholders.</p> <p>Mr Chew Hoy Ping, Dato' Yusli Bin Mohamed Yusoff and Dato' Amin Rafie Bin Othman who are Chairmen of the AC, Risk Management Committee and CNRC respectively, were available to provide responses to questions addressed to them by shareholders. In addition, the external auditors, KPMG PLT were in attendance to answer questions from shareholders on the audited financial statements. The senior management of the Company were also present to respond to any enquiries from shareholders.</p> <p>At the said AGM, the Group CEO presented an overview of the Group's performance and strategies to the shareholders. He provided explanations to questions raised by shareholders.</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>	:	Departure
<b>Explanation on application of the practice</b>	:	Please provide an explanation on how the practice is being applied.
<b>Explanation for departure</b>	:	<p>Shareholders are encouraged to attend the Company's AGM. The 2019 AGM was held at a venue which is easily accessible with ample modes of public transport. Shareholders who prefer to drive to the venue are given free parking in the premises. Moreover, several past AGMs were held at the same venue.</p> <p>The voting at the 2019 AGM was conducted on a poll in accordance with Chapter 8, Paragraph 8.29A of the Main Market Listing Requirements of Bursa Securities by way of electronic voting. Electronic voting devices were used to provide a more efficient and accurate outcome of the results. The Company had appointed Boardroom Share Registrars Sdn Bhd as Poll Administrator to conduct the polling process, and Boardroom Corporate Services Sdn Bhd as Scrutineers to verify the poll results. The poll results were also announced to Bursa Securities on the same day for the benefit of all shareholders.</p> <p>As an alternative practice, shareholders who are unable to attend the AGM are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote on their behalf at the AGM.</p> <p>Shareholders can also submit questions to the Company, or engage with Management separately.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
<b>Timeframe</b>	:	Choose an item.

**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.*

Not applicable
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