

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5186  
**COMPANY NAME** : Malaysia Marine and Heavy Engineering Holdings Berhad  
**FINANCIAL YEAR** : December 31, 2021

### **OUTLINE:**

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

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

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

<p><b>Application</b></p>	<p>: Applied</p>
<p><b>Explanation on application of the practice</b></p>	<p><b>Together with senior management, promote good corporate governance culture within the company which reinforces ethical, prudent and professional behaviour</b></p> <p>The Group has in place policies and procedures which promotes a culture of good governance and ethical, prudent and professional behaviour. Such policies include the Code of Conduct and Business Ethics for our Directors and staff and our procedures on Whistleblowing.</p> <p><b>Review, challenge and decide on management’s proposals for the company and monitor its implementation by management</b></p> <p>The Board plays an active role in the development of the Group’s strategic plans and direction. On an annual basis, together with the Group’s Management Committee and Heads of Divisions, the Board conducts dedicated sessions to discuss its long-term strategic objectives. These ‘deep dive’ sessions provide an opportunity for the Board to engage in robust discussions with members of the senior management to deliberate, challenge and approve broad strategic proposals.</p> <p><b>Ensure that the strategic plan of the company supports the long-term value creation and includes strategies on the economic, environmental and social considerations underpinning sustainability</b></p> <p>The Board plays an active role in the development of the Company’s strategies and business plan. A dedicated Special Board Meeting is held in the third quarter each year to give guidance or specific advice on the Company’s strategic business objectives and Management’s proposed strategic initiatives covering short-term, medium-term and long-term scenarios. Based on the guiding parameters provided by the Board and</p>

	<p>Board Committees results obtained from comprehensive research on the macroenvironment as well as Company's internal capability, Management develops the Company's business plan and budget, as well as scorecard for the next financial year which are presented to the Board at a Special Board Meeting, held before the end of the year. During deliberation of the proposed business plans, budget and scorecard of the Company, the Board members will challenge Management's perspectives and assumptions applied in formulating the plan to ensure the best outcomes are achieved.</p> <p>Additionally, the Board places emphasis on the formulation of strategies to promote sustainability in areas covering health, safety and environment as well as social and governance.</p> <p><b>Supervise and assess management performance to determine whether the business is being properly managed</b></p> <p>The Group's operations and performance are measured and tracked against a set of approved targets set in the Key Performance Indicators ("KPIs") of Senior Management. KPIs are cascaded to all executive staff across the Group. At every quarterly Board meeting, the Managing Director &amp; Chief Executive Officer ("MD &amp; CEO") assisted by the respective Head of Divisions present a business overview which encompasses each divisional performance, key operational issues and industry updates.</p> <p><b>Ensure there is a sound framework for internal controls and risk management</b></p> <p>The Group has put in place a systematic risk management framework adopted from PETRONAS Enterprise Risk Management ("ERM") Framework to identify, evaluate and manage the principal risks of the Group and implement appropriate internal control systems to manage these risks.</p> <p>The Board, through the establishment of the standalone Board Audit Committee ("BAC") and Board Risk Committee ("BRC"), reviews the adequacy and integrity of the Group's internal control and risk management systems. Risk management is internally reviewed and monitored through the Risk Council ("RC"), a Board delegated Committee. The RC is in turn accountable to the BRC.</p> <p><b>Understand the principal risks of the company's business and recognise that business decisions involve the taking of appropriate risks</b></p> <p>The RC regularly monitors and reviews the management of principal risks. The implementation of risk management activities is undertaken at the corporate and business units/subsidiaries level and also at the project level. In addition, risks that are deemed as material are reviewed and monitored by the Risk Management Department ("RMD") at regular intervals prior to escalation to RC and BRC. Each appointed risk owner and risk</p>
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	<p>champion owns the responsibility for risk management activities in their specific department/unit to ensure consistent implementation of risk management processes across the Group.</p> <p><b>Set the risks appetite within which the board expects management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks</b></p> <p>MHB's structured risk management process has adopted PETRONAS' ERM Framework which is aligned with ISO31000. Risk registers are established at the business, operations units/subsidiaries and the project level. These risk registers are then analysed to identify the key risks (MHB Risk Profile) which could significantly impact the achievement of MHB strategies and objectives that may require Group-wide initiatives to mitigate. The detailed disclosures in relation to the above can be found in the Company's Integrated Annual Report 2021.</p> <p>MHB also has in place crisis management and business continuity management processes. Crisis management is an integrated process that aims to prepare the organization to respond and manage crises in a particular risk area, to protect people, environment, assets and reputation. Business continuity management aims to build the capability of the Group to recover and continue the operations of critical business functions in the event of disruption.</p> <p><b>Ensure that senior management has the necessary skills and experience and there are measures in place to provide the orderly succession of board and senior management;</b></p> <p>Through the Nomination and Remuneration Committee ("NRC"), the Board implements and ensures effective and orderly succession planning is in place for both Directors and Senior Management of the Group including development plans of the MD &amp; CEO and Senior Management. The NRC reviews the Group's Human Resource plan, which includes succession plans and bases their review of remuneration and hiring on competitive industry practices and meritocracy.</p> <p><b>Ensure that the company has in place procedures to enable effective communication with stakeholders;</b></p> <p>The Board takes cognizance of the importance of effective and timely communication with the Company's stakeholders.</p> <p>Further details on the Company's efforts on stakeholder communication can be referred to on pages 62 to 65 of the Sustainability Statement which is embedded in the Company's Integrated Annual Report.</p>
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	<p><b>Ensure that all its directors are able to understand financial statements and form a view on the information presented; and</b></p> <p>The Board members of the Company have adequate understanding of the financial statements of the Company. In addition, two (2) of the Board members are qualified accountants and are members of the Malaysia Institute of Accountants.</p> <p>The Board members keep abreast with developments in financial and regulatory requirements by attending relevant training programmes internally or externally.</p> <p><b>Ensure the integrity of the company’s financial and non-financial reporting. Courts have held that it is the duty of every director to read the financial statement of the company and carefully consider whether what they disclose is consistent with the director’s own knowledge of the company’s affairs.</b></p> <p>The Board is assisted by the BAC in overseeing the Group’s financial reporting processes and the quality of said reporting. The BAC reviews the quarterly financial reports which are presented by the Chief Financial Officer in the presence of the Group Internal Auditor and the MD &amp; CEO prior to recommending them for approval by the Board for the announcement to Bursa Malaysia Securities Berhad (“Bursa Securities”). The Directors have also provided assurance that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year.</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 a Non-Executive Director. There is a clear division of responsibilities between the Chairman and MD &amp; CEO in MHB's Board Charter.</p> <p>The Chairman's main role is to ensure effective conduct of the Board through the execution of the following:</p> <ul style="list-style-type: none"> <li>• instilling good corporate governance practices, leadership and effectiveness of the Board;</li> <li>• setting the agenda for each Board meeting together with the Company Secretary and MD &amp; CEO;</li> <li>• leading the Board and general meetings and discussions;</li> <li>• encouraging active participation and allowing dissenting views to be freely expressed;</li> <li>• leading the Board in setting and monitoring good corporate governance practices, values and standards in the Company;</li> <li>• maintaining a relationship of trust with and between the Executive Director ("ED") and Non-Executive Directors ("NED");</li> <li>• facilitating the effective contribution of NEDs and ensuring constructive relations be maintained between ED and NEDs; and</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> </ul> <p>The Chairman's key responsibilities are set out in the MHB's Board Charter which is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</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>	:	

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<b>Timeframe</b>	:		
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**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 and roles and responsibilities of Chairman and CEO are held by two (2) different individuals.</p> <p>Datuk Nasarudin Md Idris, an Independent Non-Executive Director (“INED”) is the Chairman of MHB whilst Encik Pandai Othman is the Managing Director and Chief Executive Officer.</p> <p>MHB ensures that there is a clear and proper balance of power and authority between the two (2) positions.</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 Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>	
<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	The Chairman of the Board is neither a member nor permanent invitee of the Board Audit Committee, Nomination and Remuneration Committee and Board Risk Committee.
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	

### Intended Outcome

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

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 two (2) qualified Company Secretaries. Both Encik Shahrin Albakri Mustafa Albakri and Puan Haniza Sabaran are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016.</p> <p>The roles and responsibilities of the Company Secretaries include but are not limited to the following:</p> <ul style="list-style-type: none"> <li>• managing process for all Board and Board Committee meeting logistics, attend and record minutes of all Board and Board Committee meetings and facilitate board communications;</li> <li>• advising the Board on its roles and responsibilities;</li> <li>• facilitating the orientation of new Directors and assisting in Directors' training and development;</li> <li>• advising the Board on corporate disclosures and compliance in relation to the Companies Act 2016, securities regulations and listing requirements;</li> <li>• managing processes pertaining to the annual shareholders' meeting;</li> <li>• monitoring corporate governance developments and assisting the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and</li> <li>• serving as the focal point for stakeholders' communication and engagement on corporate governance issues.</li> </ul> <p>The Company Secretaries keep themselves abreast with regulatory changes and developments in corporate governance and the Main Market Listing Requirements ("MMLR") of Bursa Securities, Malaysian Code on Corporate Governance, the Companies Act 2016 and any other rules and regulations through continuing education and professional training.</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>		

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<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 1.6**

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>Board papers containing information for each item on the agenda, are distributed to the Board members within a reasonable period prior to Board meetings to ensure that Directors have sufficient time to evaluate and review the proposals to facilitate better discussion and deliberation at the meetings. However, sensitive and highly confidential matters may be tabled at the meeting itself.</p> <p>Access to Board papers is provided online through collaborative software which eases the process of distribution of meeting papers and minimises leakage of sensitive information, as well as enabling the Directors to have access to the papers electronically, anytime and anywhere.</p> <p>Presentations and briefings by the Management and relevant external consultants, where applicable, are also held at Board meetings to provide further clarity to the Board. In this regard, the relevant information is furnished, and clarifications are given to assist the Board in making informed decisions.</p> <p>The Board's deliberations and decisions are properly recorded in minutes of the Board meetings and distributed by the Company Secretaries in a timely manner.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board’s roles and responsibilities are documented in the Board Charter which reflects the corporate governance structure and practices of the MHB Group. The Charter also outlines, amongst others, the roles of the Board Committees, the MD &amp; CEO, the role of the Company Secretary, Board processes, Board functions and Board development and Gender Diversity Policy.</p> <p>The Board Charter is periodically reviewed to ensure its compliance and relevance to the prevailing laws, rules, regulations and best practices and to be consistent with the Board’s objective.</p> <p>In addition, the matters reserved for the Board, MD &amp; CEO and Management are set out in the Limits of Authority Manual (Version 2.0).</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.

<p><b>Application</b></p>	<p>: Applied</p>
<p><b>Explanation on application of the practice</b></p>	<p>: The Board is committed to a culture of integrity and ethics. MHB has in place a set of Code of Conduct and Business Ethics (“CoBE”), which includes the Whistleblowing Policy and the No Gift Policy. The CoBE is applicable to all Directors and employees within the Group as well as third parties performing works or services for and on behalf of the Company. It promotes the desired standard of behaviour and ethical conduct expected from each individual to whom the CoBE applies.</p> <p>Apart from the CoBE the Board has adopted the Anti-Bribery and Corruption Manual (“ABC Manual”). The ABC Manual explains the principles of anti-corruption and provides guidance to supplement the CoBE and is the basis on which the Company has established adequate procedures to prevent any person associated with the Group from engaging in such inappropriate conduct that may occur in the course of business.</p> <p>MHB is certified with ISO 37001:2016 Anti-Bribery Management System by SIRIM QAS International Sdn Bhd. ISO 37001 is designed to guide organisations to prevent, detect, respond to, and comply with laws, regulations, and other requirements, and to make voluntary commitments to combat bribery. It also provides the requirements and guidance for establishing, implementing, maintaining and improving an anti-bribery management system.</p> <p>The Board has established the Compliance Department whose roles and responsibilities include:-</p> <ul style="list-style-type: none"> <li>• compliance and ethics function;</li> <li>• management of the compliance and integrity related Policies &amp; Manual; and</li> <li>• management of the ethical risk assessment.</li> </ul> <p>The codes and policies are available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</a>.</p>

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

**Intended Outcome**

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

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

**Practice 3.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has in place a Whistleblowing Policy to encourage transparent and ethical conduct within the Group. The main objectives of the Whistleblowing Policy are:</p> <ul style="list-style-type: none"> <li>• To provide avenues for employees and members of the public to report improper conduct committed or about to be committed within MHB.</li> <li>• To assure the Whistleblower that protection will be accorded under the Policy provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the Whistleblower is mistaken as to the facts and the rules and procedures involved.</li> <li>• To provide a formal mechanism for action on all reports made.</li> <li>• To take necessary action of any matter of wrongdoing reported by other sources.</li> </ul> <p>Improper conduct for the purposes of the Whistleblowing Policy may include but not limited to the following:</p> <ul style="list-style-type: none"> <li>• Fraud</li> <li>• Bribery</li> <li>• Abuse of Power</li> <li>• Conflict of Interest</li> <li>• Theft or embezzlement</li> <li>• Misuse of Company's Property</li> <li>• Non-Compliance to procedure</li> </ul> <p>The BAC is presented with a summary of Whistleblowing cases on a quarterly basis.</p> <p>The Whistleblowing Policy is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</a>.</p>
<b>Explanation for departure</b>	:	

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<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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.1**

The board together with management takes responsibility for the governance of sustainability in the company including setting the company’s sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had, in its meeting held on 1 November 2021 approved the MHB Sustainability Framework and Governance Structure. It is a strategic approach taken by MHB towards sustainability efforts with the establishment of a comprehensive and structured sustainability framework.</p> <p>MHB has drafted a Sustainability Strategy Development Roadmap which focuses on the short and long term plans in two (2) phases; i.e. Phase One and Phase Two.</p> <p>In Phase One, the Company established its Sustainability Framework and Strategic Priorities. The effort is headed by a member of Senior Management.</p> <p>MHB’s sustainability commitment is to deliver long term shareholder value by promoting sustainability in areas covering health, safety and environment as well as social and governance.</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.2**

The board ensures that the company’s sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>MHB’s Integrated Annual Report includes a Sustainability Statement which discloses the Company’s sustainability strategies, priorities and targets as well as performance and it serves as the main communication tool of MHB’s Sustainability to the internal and external stakeholders.</p> <p>The Integrated Annual Report is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.3**

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	In view to gain a better understanding of the sustainability issues relevant to MHB and its business, including climate-related risks and opportunities, the Board members have attended training on sustainability issues, particularly on ESG risks and TCFD recommendations organised by the parent company, MISC Berhad (MISC). The Board will continue engaging with subject matter experts (external and internal), e.g. Annual Directors' Training organised by MISC which covers the Sustainability agenda.	
<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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.4**

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company’s material sustainability risks and opportunities.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Sustainability is addressed in the Board’s KPI via the requirement to review and formulate strategies that address sustainability and stakeholder interests through internal policies. Senior Management’s sustainability KPIs is embedded in the Company’s Scorecard 2022 vis-à-vis the development of a comprehensive roadmap for scopes 1 and 2 Greenhouse Gases (GHG) and material value chain scope 3 GHG inventory.	
<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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.5- Step Up**

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

<i>Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.</i>	
<b>Application</b>	: Adopted
<b>Explanation on adoption of the practice</b>	: The Board of MHB has established a new Sustainability Department led by Mr Antonnio Hong Ngen Hee, General Manager, Corporate Planning and Risk Management. This Department shall provide a dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the Company.

**Intended Outcome**

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

**Practice 5.1**

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director’s performance and contribution to the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board of MHB has adopted the Step-Up Practice 5.3. This ensures that the board is refreshed periodically.</p> <p>The Nomination &amp; Remuneration Committee (“NRC”) evaluates the effectiveness of the Board and Individual Directors annually. Concurrently, the NRC reviews the target skills needed for the Board’s effective decision making. Additionally, the NRC reviewed and proposed the annual re-election of the directors based on the annual directors’ evaluation.</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 5.2**

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>During the year under review, the Board of MHB comprises nine (9) Directors, five (5) of whom are Independent Non-Executive Directors.</p> <p>Hence, the Company meets the requirement of having a majority of independent directors.</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 5.3**

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 provide justification and seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable - Step Up 5.4 adopted	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 5.4 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

<i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i>	
<b>Application</b>	: Adopted
<b>Explanation on adoption of the practice</b>	: The policy which limits the tenure of its independent directors to nine (9) years is included in the MHB Board Charter. The Board Charter is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</a> .

**Intended Outcome**

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

**Practice 5.5**

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.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NRC is responsible for making recommendations to the Board for the appointment of Directors and the election/re-election of retiring Directors at the Annual General Meeting (“AGM”).</p> <p>In making these recommendations, the NRC considers the required mix of skills, experience, knowledge, competencies and other necessary qualities including gender diversity to the Board. The Board supports the philosophy of gender diversity and recognizes the benefits it can bring, nevertheless, the Board believes that any new appointments should be based on merits and capability.</p> <p>The NRC is also tasked with making appropriate recommendations to the Board for the appointment or renewal of contracts of employment of the MD &amp; CEO and Management Committee (MC) members of the Company, taking into account diversity in addressing the MC composition.</p> <p>During the year under review, having conducted all relevant reviews and assessments, the NRC deliberated and recommended the appointment of the Senior General Manager, Supply Chain &amp; Site Services, Encik Azaman@Azman Abdul Rahman with effect from 16 August 2021.</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>	:	

[Open]

<b>Timeframe</b>	:		
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**Intended Outcome**

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

**Practice 5.6**

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.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	In identifying candidates for appointment of Independent Directors, the Board accepts recommendations from existing Board members, Management or major shareholders. In addition, the Company has engaged the Institute of Corporate Directors Malaysia (“ICDM”) as an independent consultant to source suitably qualified candidates for future Board appointments.	
<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 5.7**

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company has not included a statement in the Notes Accompanying the AGM Notice 2021 that the Board has endorsed the NRC's recommendation for the re-appointment of a director nor the details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	To enhance disclosure in the Integrated Annual Report, particularly the justifications for the proposed re-appointment/re-election of directors.	
<b>Timeframe</b>	:	1 year	

**Intended Outcome**

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

**Practice 5.8**

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>	:	Ir. Wan Yusoff Wan Hamat, Independent Non-Executive Director is the Chairman of the NRC.	
<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 5.9**

The board comprises at least 30% women directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	As of 31 December 2021, MHB has one (1) woman director which represents 11% of the Board Composition.  MHB endeavours to fulfil gender diversity expected by MCCG 2021 in its Board renewal exercise. Nonetheless, the main criteria of the MHB Board's candidate is meritocracy based on relevant qualifications, experience, knowledge and expertise that will enhance the Board's value.
		No alternative
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board endeavours the fulfilment of this recommendation at the next board refreshment exercise.
<b>Timeframe</b>	:	Others

**Intended Outcome**

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

**Practice 5.10**

The board discloses in its annual report the company’s policy on gender diversity for the board and senior management.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board Diversity Policy is embedded in the Board Charter and available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</a> .	
		During the period under review, MHB does not have a diversity policy in relation to Senior Management.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	MHB considers diversity and inclusivity in its future planning for the Senior Management successors.	
<b>Timeframe</b>	:	Others	

**Intended Outcome**

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

**Practice 6.1**

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 its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: <p>The performance of the Board, Board Committees and Individual Directors' is tracked annually against the Board Key Performance Indicators (KPIs), using a Performance Evaluation Sheet as a tool. The Board KPIs focus on achievements of measurable 'hard targets' based on three criteria, i.e. Board Structure, Board Operations and Board Roles and Responsibilities. Each Director is required to provide a rating with respect to the areas measured. The final ratings are then reviewed by the NRC and the Board.</p> <p>The Individual Directors Performance was assessed using the peer and self-evaluation method.</p> <p>Further details on the Board, Board Committees and Individual Directors' Performance Assessment may be referred to Nomination and Remuneration Committee Report from page 215 to 218 of the Integrated Annual Report.</p> <p>As recommended under Practice 6.1 of MCCG 2021, the Board will consider the periodical engagement of an independent expert to undertake the Board's evaluation.</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>	:

[Open]

<b>Timeframe</b>	:		
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**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 7.1**

The board has remuneration 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 remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. 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 policy for remuneration of its Non-Executive Directors and is based on the PETRONAS Public Listed NED's Remuneration Guidelines and Packages while the MC members' remuneration is based on salary bands reflective of industry standards.</p> <p>Further information on the above remuneration structure is set out in the Corporate Governance Overview Statement of the Integrated Annual Report 2021, which is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</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 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 7.2**

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 Remuneration Committee and its functions reside within the Nomination and Remuneration Committee ("NRC") of MHB.</p> <p>The Remuneration Committee's primary responsibility is to consider and recommend to the Board, and to support the Board's responsibility in respect of, the remuneration policy for Directors, Senior Management and employees of the Company.</p> <p>The TOR of the NRC is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</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**

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 8.1**

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

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The remuneration of the NEDs of MHB comprises Directors' Fees and Allowance, received by the respective NEDs of MHB on a named basis for the financial year ended 31 December 2021 is detailed in the Integrated Annual Report 2021 of the Company under the Corporate Governance Overview Statement.</p> <p>The Directors' fees and meeting allowances for NINEDs who are employees of MISC (the Company's major shareholder) are paid directly to MISC.</p> <p>The MD &amp; CEO's remuneration package comprised the following:-</p> <ul style="list-style-type: none"> <li>i. Basic Salary The basic salary was recommended by the NRC and approved by the Board and is fixed for the duration of his contract.</li> <li>ii. Variable bonus The bonus payable to the MD &amp; CEO is measured against agreed targets and key performance indicators.</li> <li>iii. Benefits-in-Kind The MD &amp; CEO is entitled to a company car.</li> </ul>

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No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	YBhg Datuk Nasarudin Md Idris	Independent Director Independent Director Director	240	42	0	0	0	0	282	0	0	0	0	0	0	0
2	Mr Choy Khai Choon	Independent Director Independent Director Director	120	84	0	0	6	0	210	0	0	0	0	0	0	0
3	Mr Keith Taylor	Independent Director Independent Director Independent Director	120	98	0	0	6	0	218	0	0	0	0	0	0	0
4	Ir Wan Yusoff Wan Hamat	Independent Director Independent Director Director	120	94.5	0	0	6	0	220.5	0	0	0	0	0	0	0
5	Ms Gladys Leong	Independent Director Independent Director Independent Director	120	63	0	0	6	0	189	0	0	0	0	0	0	0
6	YBhg Datuk Yee Yang Chien	Non-Executive Non-Independent Director Non-Executive Non-Independent Director Non-Executive Non-Independent Director	120	42	0	0	0	0	162	0	0	0	0	0	0	0
7	Tuan Syed Hashim Syed Abdullah	Non-Executive Non-Independent Director Non-	120	94.5	0	0	0	0	214.5	0	0	0	0	0	0	0

[Open]

		Executive Non-Independent Director Non-Executive Non-Independent Director															
8	Encik Ausmal Kardin	Non-Executive Non-Independent Director Non-Executive Non-Independent Director Non-Executive Non-Independent Director	19.3	3.5	0	0	0	0	22.8	0	0	0	0	0	0	0	0
9	Encik Pandai Othman	Executive Director Executive Director Executive Director	0	0	0	0	0	0	108.5	0	0	0	0	0	0	0	0
10	Encik Emran Othman	Non-Executive Non-Independent Director Non-Executive Non-Independent Director Non-Executive Non-Independent Director	70	38.5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
11	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
12	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

**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 8.2**

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>	:	MHB opts not to disclose the Senior Management's remuneration components (salary, bonus, benefits-in-kind and other emoluments) as it is not in the best interest of the Company and Senior Management personnel.	
		No alternative	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	At this juncture, MHB does not have any alternative plan to meet the intended outcome.	
<b>Timeframe</b>	:	Others	

[Open]

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

[Open]

**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 8.3 - 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>	:	

[Open]

No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

**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 9.1**

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>	:	Mr Choy Khai Choon, Senior INED is the Chairman of the BAC and not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 9.2**

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>During the period under review, the TOR provides for a cooling-off period of two (2) years.</p> <p>The TOR of the BAC is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</a>.</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>	:	The Company shall adopt the cooling-off period of three (3) years before a former partner of the external audit firm of the Company may be appointed as a member of the Company's BAC.	
<b>Timeframe</b>	:	1 year	

**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 9.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>MHB has established a policy on the Assessment of External Auditors.</p> <p>The assessment on suitability, objectivity and independence of the external auditors is carried out on an annual basis as provided in the TOR of the Board Audit Committee.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

[Open]

**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 9.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

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

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent 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>The BAC members of MHB possess the necessary skills and experience in accounting, finance and other relevant fields of expertise. They are financially literate and able to understand matters under the purview of the BAC.</p> <p>The profiles of the BAC members and details of training attended by them are disclosed in the Integrated Annual Report 2021 which is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</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**

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 10.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board of MHB recognises its responsibilities and the importance of sound risk management practices and internal control and reviewing the adequacy and integrity of those systems. The Board has adopted the PETRONAS Enterprise Risk Management Framework to ensure all business risks are prudently identified, evaluated and managed in accordance with acceptable international standards, principles and guidelines on risk management.</p> <p>These procedures, which are subject to regular review, are intended to provide an ongoing process for identifying, evaluating and managing risks faced by the Group. However, the Board recognises that such a system is a concerted and continuing process, designed to manage and reduce the risks to acceptable levels, rather than eliminating them altogether.</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 10.2**

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>MHB Group implements a systematic risk management framework as recommended under the above Practice 10.1 which is adopted from the PETRONAS Enterprise Risk Management Framework to identify, evaluate and manage the Group’s principal risks. The Board Risk Committee (BRC) together with support from the Risk Council have discharged their functions on the risk management and internal control framework.</p> <p>Further details in relation to the activities and risk management framework of the Company are set out in the Statement of Risk Management and Internal Control embedded in the Integrated Annual Report 2021.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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 10.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board of MHB had on 8 February 2021, approved the establishment of the BRC. The BRC comprises all NEDs with the majority of whom are independent directors. The BRC is responsible for reviewing the adequacy and integrity of the Group’s risk management and sustainability matters.</p> <p>The TOR of the BRC is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</a>.</p>

**Intended Outcome**

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

**Practice 11.1**

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 MHB Group Internal Audit (GIA), which reports directly to the BAC, performs independent planned approved audits and initiatives within the Group in order to evaluate and assess the effectiveness of risk management, internal control and governance processes. The GIA also conducts additional assurance assignments, and special reviews arising from any potential irregularities upon request by the Management or the BAC.</p> <p>The BAC reviews, deliberates and endorses the annual audit plan and strategy including the scope of work and resources. Results of the audit engagement are presented and deliberated during quarterly BAC meetings. The Group focuses on disciplined execution of audit plans, submission of audit findings, recommendations on audit issues and close follow-up of the Agreed Corrective Actions (“ACAs”) which are encompassed in the audit reports. The GIA monitors the status of implementation of these ACAs through the Quarterly Audit Status Report which they will record and analyse. The consolidated reports are submitted and presented to the BAC for deliberations and endorsement on a quarterly basis. In addition, the BAC conducts half-yearly and yearly reviews and assessments on the adequacy of GIA’s scope of work, functions and resources including its annual plan and strategy. The conduct of internal audit work is governed by the Internal Audit Charter and the Internal Audit Charter Memorandum.</p> <p>The activities carried out by the BAC of MHB in relation to internal audit functions during the year under review are set out in the Integrated Annual Report 2021 under the BAC Report.</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>	:	

[Open]

<b>Timeframe</b>	:		
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**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 11.2**

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>	:	The detailed disclosures in relation to the above Practice 11.2 can be referred to the BAC Report set out from pages 219 to 223 of the Company’s Integrated Annual Report 2021.	
<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 12.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board of MHB takes cognisance of the importance of effective, transparent and regular communication with the stakeholders.</p> <p>Further details on MHB’s efforts on stakeholder communication can be referred to the Sustainability Statement which is embedded in the Integrated Annual Report. The Integrated Annual Report is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</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**

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 12.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The adoption of integrated reporting has been implemented on a staggered basis. MHB’s Annual Report 2018, 2019 and 2020 have already been prepared based on the Integrated reporting framework.</p> <p>With this enhancement, MHB’s Annual Report 2021 is called Integrated Annual Report 2021. The Integrated Annual Report is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</a>.</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**

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

**Practice 13.1**

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>	:	The notice of MHB's 32 <sup>nd</sup> AGM held on 14 April 2021 was issued on 11 March 2021, more than 28 days prior to the meeting.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 13.2**

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>All of MHB Directors, including the Chairmen of the respective Board Committees, have attended the 32<sup>nd</sup> AGM in 2021 either from the broadcast venue or virtually.</p> <p>The Board endeavours to provide clear and meaningful responses to questions posed to them by shareholders at 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 13.3**

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders’ participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>MHB had, on 14 April 2021 conducted its 32<sup>nd</sup> AGM via the LUMI virtual meeting platform to facilitate remote participation and voting in absentia.</p> <p>Shareholders are encouraged to attend, participate, speak and vote at the Company’s general meetings. In view to encouraging participation of remote shareholders and ensuring cyber-hygiene at the virtual AGM, the Company has in place the following measures:-</p> <ul style="list-style-type: none"> <li>• Issued a comprehensive Administrative Guide as guidance to shareholders</li> <li>• Enabled electronic lodgement of Form of Proxy</li> <li>• Broadcasted the AGM proceeding via a web portal and mobile application</li> <li>• Addressed the Questions raised by the Minority Shareholders Watch Group (MSWG) and the responses at the AGM</li> <li>• Enabled questions from shareholders to be submitted through the virtual AGM platform or via email</li> <li>• The MD &amp; CEO presented the business and financial highlights prior to the AGM proceedings and responded to the questions received from shareholders wherein the compilation of questions and answers is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</a>.</li> </ul>
<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>	:	

[Open]

<b>Timeframe</b>	:		
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**Intended Outcome**

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

**Practice 13.4**

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: <p>The Chairman has successfully created a meaningful engagement with the Board, Senior Management and Shareholders throughout 32<sup>nd</sup> AGM. The general meeting started with the briefing from MD &amp; CEO of MHB, highlighting the Company's financial performance, projects delivery and/or status as of 31 December 2020 and a brief on Company's long-term strategies.</p> <p>The Shareholders were welcomed to pose questions to the Board and Senior Management relating to the 32<sup>nd</sup> AGM matters either via the Investor Relation platform or posting it on the day of the 32<sup>nd</sup> AGM itself. The Board endeavours to provide clear and meaningful responses to questions posed to them by shareholders at the 32<sup>nd</sup> AGM. The questions posed by the Shareholders and the answers provided by the Board and Senior Management during the 32<sup>nd</sup> AGM were uploaded to MHB's website.</p> <p>The questions submitted by the MSWG together with MHB's responses were also presented during the 32<sup>nd</sup> AGM and is available on the website at <a href="http://www.mhb.com.my">www.mhb.com.my</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>	:

[Open]

<b>Timeframe</b>	:		
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**Intended Outcome**

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

**Practice 13.5**

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: MHB had, on 14 April 2021 conducted its 32 <sup>nd</sup> AGM via the LUMI virtual meeting platform to facilitate shareholders' remote participation and voting in absentia.  The LUMI platform is accessible to all shareholders and allows active participation/engagement of shareholders with the Board of Directors and Senior Management. MHB takes cognisance of the MCCG 2021 recommendation to make shareholders' questions visible to all meeting participants.
<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 13.6**

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>		
<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Summary of AGM Minutes which summarised the agenda item and the decisions reached was uploaded to the website.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Company will upload confirmed AGM minutes within 30 business days in FY2022.
<b>Timeframe</b>	:	

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**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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