

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5264
COMPANY NAME : MALAKOFF CORPORATION BERHAD
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>During the year, the Board conducted the Company's annual business plan review by taking the following steps:-</p> <p>a) Prior to the setting of the 5-year business plan, an annual strategy engagement session between the Management and the Board was held. At this session, industry analysts were invited to brief the Board and the Management on the recent market trend and market information which could be included in the Company's business plan.</p> <p>b) Key takeaways from the session were taken into consideration in the Group's strategies and 5-year business plan with long and short term strategies including annual capital and revenue budget for the ensuing 4 years.</p> <p>c) Upon approval of the business plan, the Board had also approved the Group's Corporate Key Performance Indicators ("KPIs") for 2018 with specific quantifiable targets for the Chief Executive Officer's ("CEO") execution. The CEO's Corporate KPIs were thereafter cascaded to the Management Committee ("MANCO") members and his direct reports for execution.</p> <p>d) Through the assigned weightages to each key result area of the KPIs, the Management is guided on where its focus and resources should be directed in order to maximise potential of achieving the targets set in the business plan.</p>
Explanation for departure	:	

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

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had elected a Chairman of the Company from amongst the members of the Board who is an Independent Non-Executive Director. His nomination was duly assessed and recommended by the Board Nomination and Remuneration Committee (“BNRC”) prior to his appointment. He provides the leadership and guidance to the Board, not only steering the Board to be an effective decision making body but also taking the lead role in instilling good corporate governance practices across the organisation.</p> <p>The roles and responsibilities of the Chairman provided in the Board Charter, which is available on the Company's website at http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf, include the following:-</p> <ul style="list-style-type: none">a) provide leadership to the Board so that the Board can perform its responsibilities effectively;b) lead the Board in establishing and monitoring good corporate governance practices in the Company;c) chair meetings of the Board in such manner that will stimulate debate on issues before the Board and encourage the most effective contribution from each member;d) chair meetings of shareholders and ensure effective communication with shareholders and relevant stakeholders;e) ensure appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board;f) set the agenda for Board meetings and ensure that Board members receive complete and accurate information in a timely manner, with the facilitation of the Company Secretaries;g) act as liaison between the Board and Management, particularly the CEO;h) ensure proper Board Committees structure and their respective terms of reference (“ToR”);i) ensure that all Board members, upon taking up their office, are fully briefed on the terms of their appointment, time

	commitment, duties and responsibilities, and the business of Malakoff Corporation Berhad (“ MCB ”) Group of companies; j) conduct performance assessment of the Board, Board Committees and individual Directors; and k) ensure that there is a succession plan framework for the Board, evaluated by the BNRC and approved by the Board.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	: Applied
Explanation on application of the practice	<p>As recommended by MCCG 2017, the positions of Chairman and CEO of MCB are held by two (2) different individuals who are holding distinct and separate roles with clear division of responsibilities of the two (2) roles. Their roles and responsibilities are provided in the Board Charter which is available on the Company's website at: http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf</p> <p>The Chairman oversees the conduct of the Board so as to ensure the smooth functioning of the Board in the interest of good corporate governance whilst the CEO, who is assisted by the MANCO members, is responsible for the business and day-to-day management of the Company. This division of roles between the two (2) positions will ensure that no one individual has unfettered powers over decision making and promote their accountability.</p> <p><u>The Chairman</u></p> <p>Datuk Haji Hasni bin Harun was appointed as the Independent Non-Executive Chairman of the Company on 20 June 2017. As the Chairman, he is responsible for leading the Board and ensuring the adequacy and effectiveness of the Board's performance and governance process. He also acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated. He works closely with the rest of the Board members in forming policy framework and strategies to align the business activities driven by the Management team.</p> <p><u>The CEO</u></p> <p>Dato' Ahmad Fuaad bin Mohd Kenali, who was appointed as CEO of the Company on 1 October 2017, has the responsibility of providing the stewardship of the Group's direction and leading the day-to-day Management of the Group. The CEO together with the MANCO members manage the business of the Group in accordance with the business plan, instructions and directions of the Board, and implement the Group's policies and procedures.</p>

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

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has unrestricted access to the advice and services of the Company Secretaries to assist the Board to discharge its duties effectively. Both of the Company Secretaries, who are experienced, competent and qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016, are responsible to the Board for amongst others, the following:-</p> <ul style="list-style-type: none">• <u>Corporate governance and compliance advisory:</u><ul style="list-style-type: none">a) updating the Board on the new statutory and regulatory requirements pertaining to the duties and responsibilities of the Directors;b) monitoring and ensuring compliance with the policies and procedures of the Board and the Board Committees and advising the Board through the Chairman on all governance matters;c) providing periodic reminders to the Board on requirements to disclose any change in Directors' interest in securities of the Company or interest in any contract to be entered with the Company, if any; andd) coordinating the induction of new Directors with the Management and facilitating the professional development of all Directors on an ongoing basis by identifying suitable development programmes for Directors.• <u>Information flows and meetings:</u><ul style="list-style-type: none">a) organising and attending all Board, Board Committees and general meetings as well as ensuring the meetings are properly convened;b) preparing accurate and proper records of the meeting proceedings and resolutions passed, and maintaining such records at the registered office of the Company and to producing the same for inspection, if required;

	<p>c) facilitating review of material proposals by the Chairman with the Management prior to Board meetings for the effective conduct of Board meetings; and</p> <p>d) ensuring the decisions of the Board and Board Committees are relayed to the Management for their action.</p> <ul style="list-style-type: none"> • <u>Stakeholder communication:</u> <ul style="list-style-type: none"> a) managing process pertaining to the general meetings of the Company; and b) serving as the focal point for stakeholders' communication and engagement on corporate governance issues.
<p>Explanation for departure :</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>Measure :</p>	
<p>Timeframe :</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 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretaries strive to circulate the agenda of meetings and meeting materials at least five (5) business days prior to the date set for meetings in order to provide sufficient time for the Directors to prepare for the Board meetings. Soft copies of meeting materials will be sent via electronic mail to the Directors to facilitate the above, when necessary, followed by circulation of physical copies. The Company Secretaries will ensure that relevant proposals or update papers are submitted to the Board or Board Committees, where applicable, for their information and review prior to the meetings.</p> <p>Draft minutes of each Board meetings are circulated to the Board and the CEO for their review and comments in a timely manner before the minutes are tabled for confirmation at the next Board meeting.</p> <p>The timely circulation of materials to the Board and the process taken to ensure that minutes reflect the correct proceedings of the meeting are included in the Corporate KPIs of the Corporate Secretarial Department.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

The board charter clearly identifies–

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

Application	:	Applied
Explanation on application of the practice	:	<p>1) Board Charter</p> <p>The Board Charter, which is available on the Company's website at: http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf, and is subject to periodic reviews and updates to ensure its relevance and compliance with regulatory requirements.</p> <p>The Board had on 21 February 2018 approved a revised Board Charter to, amongst others, re-align the existing governance policies with the principles and practices prescribed by MCCG 2017, where possible or relevant. The Board Charter clearly sets out the functions, responsibilities and processes of the Board and ensures that all Board members are aware of their roles and duties. The roles and responsibilities of the CEO, the Chairman, Independent Directors and Non-Independent Directors as well as the Company Secretaries are also set out in the Board Charter.</p> <p>This will ensure that the Board and the Management understands their roles and responsibilities in the Company and that clear accountability has been established over the areas under their purview.</p> <p>In addition, the Board has also delegated some of its responsibilities to four (4) standing Board Committees, with only one (1) having specific authority of approval delegated by the Board under its ToR, namely the Board Procurement Committee ("BPC") which operate within specific ToR. The BPC is required to report to the Board as soon as practicable all decisions which are made on behalf of the Board. The other three (3) Board Committees are the Board Audit Committee ("BAC"), the BNRC and the Board Risk and Investment Committee ("BRIC").</p> <p>The approval of ToR of the Board Committees remains the prerogative of the Board and it has the power to change the terms</p>

of operations of each of its Board Committee as the Board deem fit at any time. The ToRs of the above Board Committees are included in the Board Charter.

2) Board reserved matters

In order to ensure that the direction and control of the Group are in the hands of the Board, it had adopted a formal schedule of matters reserved for the Board's deliberation and decision as set out in the Board Charter. These reserved matters relate to Board structure, terms of remuneration, Company's and Group's operations, financial and other matters as provided by the laws and/or under the Company's Limits of Authority ("LOA"). The matters reserved for the Board have been included in the Board Charter as well as the LOA include the following :-

- a) review and approval of the Company's and Group's strategic plans;
- b) approval of material investment or divestment in a Company, material business, property or undertaking;
- c) approval of investment or divestment of a capital project which represents a significant diversification from the Group's existing business activities;
- d) approval of material changes in the activities of the Group and Group corporate structure;
- e) approval of policies and bank mandates of the Company and Group;
- f) approval of LOA for the Company and Group and its revision therein;
- g) any decision to cease operations of all or any material part of the Group's business; and
- h) declaration of dividends and approval of financial statements, including accounting policies of the Group.

The rest of the business matters delegated to the Management are clearly defined in the LOA. The LOA also includes the business and operational decisions which still require the Board's approval due to their materiality and those delegated to the Management with appropriate escalation and reporting to the Board.

The LOA serves to provide the necessary delegation of authority of the Board to the Management to ensure timely business decisions are made, and that the Management is empowered to execute appropriate business activities and strategies to meet the needs of the business of the Group. The LOA allows balanced effective oversight with appropriate empowerment and accountability of the Management.

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

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The introduction and implementation of the Code of Conduct ("Code"), which is available on the Company's website at: http://ir.chartnexus.com/malakoff/doc/COC_English_2016.pdf, acts as a catalyst to achieve the goal whereby it should function as a guide for the Company's employees to understand and adopt the basic standards of conduct that are expected of them.</p> <p>Generally, there are eight (8) underlying principles that the Company's employees must observe. These principles form the basis of the Company's employees conduct towards the Company, its customers, vendors, suppliers, contractors and other external parties. The basic principles are:-</p> <ul style="list-style-type: none">a) HONESTY: avoiding hiding the truth;b) INTEGRITY: avoiding situations where the personal interest of the Employees appears to be in conflict with the interest of the Group;c) LEADERSHIP: avoiding abuse or misuse of the Employees' position in the Company;d) PROFESSIONALISM: maintaining secrecy at all times of confidential information obtained in the course of the employees' employment in the Group and not disclosing or using such confidential information for personal advantage;e) LOYALTY: avoiding placing the interests of the Company in jeopardy;f) RESPONSIBILITY: disclosing and seeking clarification from relevant persons in the Company whenever in doubt or whenever ethical concerns arise;

	<p>g) TRUSTWORTHINESS: avoiding misuse of the Company’s resources or assets for personal gain; and</p> <p>h) PERSONAL CONDUCT: avoiding conduct or behaviour that may bring disrepute to the good name of the Group.</p> <p>The Code shall serve as the Company’s formal commitment to conduct ourselves professionally at all times and conduct business in a transparent, appropriate and fair manner. The document is meant as a reference for all levels of employees as well as all parties that transact with the Company. The Board has also adopted its own Code which is set out in the revised Board Charter that is available on the Company’s website at: http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf</p> <p>MCB has also embarked on the signing of the Ikrar Bebas Rasuah (“IBR”) in 2017. IBR is an initiative introduced by the Malaysian Anti-Corruption Commission (“MACC”) that indicates the commitment by MCB to ensure a corruption-free working environment. The IBR emphasises on the pledge and oath that are voluntarily taken by the MCB’s Management and staff in their individual capacity to hold each of them accountable in carrying out their duties. It is also a pledge by respective individuals that they will not engage in any corruption activities.</p> <p>The IBR signing ceremony at the Company’s headquarters in Kuala Lumpur was conducted on 20 June 2017 and witnessed by Deputy Chief Commissioner (Prevention) of MACC, Dato’ Shamshun Baharin Mohd Jamil. Subsequently, the IBR was also signed by all MCB’s staff at plants on August 2017. MCB is also the 7th organisation from private sector that has signed the IBR in Malaysia.</p>
<p>Explanation for departure</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>Measure</p>	<p>:</p>
<p>Timeframe</p>	<p>:</p>

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the importance of maintaining an open working environment in which the voice of staff of the Company and third parties could be heard in a responsible and appropriate manner. The Whistle-blowing Policy established by the Board in 2014 embodies the Company's commitment to promote and maintain high standards of transparency, accountability, ethics and integrity at the workplace. This policy provides an avenue for employees and third parties to disclose cases of improper conduct which include unethical practices, safety violations, fraud, corruption, non-compliance to laws and regulations, breach of conduct or other malpractices within their work areas without fear of reprisal.</p> <p>Any disclosure of improper conduct can be made orally or in writing to the Chairman of the BAC through a letter or e-mail to whistleblowing@malakoff.com.my. A whistle-blower is assured confidentiality of identity to a reasonable practicable extent. This includes protecting the whistle-blower from detrimental action that may result from the disclosure of improper conduct, provided that the disclosure is made in good faith. The Whistle-blowing Policy also serves to ensure fair treatment is provided to both whistle-blower and the alleged wrong-doer when a disclosure of improper conduct is made. The salient terms of the Whistle-blowing Policy are made available at the Company's website.</p> <p>During the year, a revision to the Whistle-blowing Policy was made to further enhance the effective implementation of the policy. The involvement of the BAC Chairman at the onset of the reporting channel will provide added assurance to whistle-blowers that the implementation of the Whistle-blowing Policy will be properly followed and escalated to the Board.</p>
Explanation for departure	:	

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

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has continued to maintain four (4) Independent Directors (“IDs”) which meets the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) of at least three (3) Directors or one-third (1/3) of the total Board members, whichever is higher, to be independent.</p> <p>The diverse personalities on the Board continues to enable the Board to effectively discharge its duties and responsibilities to meet the Company’s scope of business. The Board also has the right balance of members where the interests of the major shareholders of the Company are adequately represented whilst the presence of more than one-third (1/3) ratio of IDs on the Board will ensure that the interests of the minority shareholders are being served.</p> <p>The Board acknowledges the recommendation under Practice 4.1 of the MCG 2017 that suggests a “Large Company” such as MCB to have majority IDs on the Board. The Board will from time to time assess the need to appoint IDs to the Board. The Board has regarded the current Board composition to be effective in decision making at the Board level where independent deliberation is still being upheld with the presence of the four (4) Independent Non-Executive Directors (“NEDs”) at the Board together with three (3) nominees Directors of the Company’s substantial shareholders which are statutory bodies managing funds belonging to the general public. The views and deliberations of these Board nominees are usually aligned to safeguard public interest and this had brought independence and objectivity to the Board deliberations of the Company. Given such dynamics in the Board membership, independent views are usually garnered from a majority of its Directors that is seven (7) out of ten (10) Directors, despite not meeting the required numbers in its expected form recommended by this practice.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	: The above Board composition was able to garner majority independent and objective views in the Board discussions and voting. This had accordingly met with the spirit of the practice.
Timeframe	: Others As the alternative measure had to a certain extent met the intended outcome, the Board has not ascertained the time frame for having majority IDs on its Board for the time being.

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application :	Applied
Explanation on application of the practice :	<p>The Board is assisted by the BNRC in fulfilling its corporate governance responsibilities with regard to nomination and remuneration matters of the Board and the Senior Management of the Company.</p> <p>The BNRC, under its ToR, is required to develop, review and recommend to the Board, the Policy on Board Composition, having regard to the mix of skills, knowledge, experience, expertise, independence and diversity (including gender, ethnicity and age) and other qualities required to facilitate effective and efficient functioning of the Board. This includes core competencies which the NEDs could bring to the Board.</p> <p>The Board has adopted a Board Diversity policy as its commitment to ensure that among the criteria taken into account for the recruitment of new Directors, are diversity in gender, nationality, age, culture and socio-economic backgrounds; alongside merits of the candidates. These criteria are also taken into account when the Board conducts a yearly assessment where it ensures that presence of diversity exist and has worked to the advantage of increasing the Board's effectiveness of making comprehensive decisions which takes all aspects and views into account.</p> <p>In order to keep abreast with the changing environment that the Company operates in, the Board recognises that it should have Directors with a diverse range of appropriate skills and experience, which could bring value to Board's decision and where matters are viewed from all angles. Since the adoption of the Board Diversity policy on 21 November 2016, the Board endeavours to maintain a Board comprising Directors with a broad range of industry, financial, technical, legal and stakeholder related experience, as well as in the energy and water business.</p> <p>The BNRC is also responsible for the recommendation of appropriate candidates for Senior Management positions which amongst other include the CEO and the Executive Directors ("EDs") (if any). Amongst the factors considered by BNRC in its recommendation to the Board include the character, experience, competence, integrity and time commitment of the prospective candidates. The Board also considers diversity when it recruits Senior Management candidates.</p>

	<p>Tabled hereunder the diversity of the skills of the current Board members of MCB:-</p> <table border="1" data-bbox="549 297 1166 524"> <thead> <tr> <th>Skills & experience</th> <th>No. of Directors</th> </tr> </thead> <tbody> <tr> <td>Accountant</td> <td>3</td> </tr> <tr> <td>Business Administration</td> <td>3</td> </tr> <tr> <td>Economist</td> <td>2</td> </tr> <tr> <td>Legal</td> <td>1</td> </tr> <tr> <td>Technical</td> <td>1</td> </tr> </tbody> </table> <p>The diversity in the race/ethnicity (cultural background), nationality, age and gender of the Board and Senior Management are as follows:-</p> <table border="1" data-bbox="453 667 1406 819"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Race/Ethnicity</th> <th colspan="2">Nationality</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Indian</th> <th>Others</th> <th>Malaysian</th> <th>Foreigner</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td>7</td> <td>2</td> <td>0</td> <td>1</td> <td>9</td> <td>1</td> </tr> <tr> <td>Management</td> <td>7</td> <td>1</td> <td>0</td> <td>0</td> <td>8</td> <td>0</td> </tr> </tbody> </table> <table border="1" data-bbox="453 855 1406 1043"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Age Group</th> <th colspan="2">Gender</th> </tr> <tr> <th>40 – 49</th> <th>50 – 59</th> <th>60 years an above</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td>0</td> <td>4</td> <td>6</td> <td>9</td> <td>1</td> </tr> <tr> <td>Management</td> <td>5</td> <td>3</td> <td>0</td> <td>7</td> <td>1</td> </tr> </tbody> </table>	Skills & experience	No. of Directors	Accountant	3	Business Administration	3	Economist	2	Legal	1	Technical	1		Race/Ethnicity				Nationality		Malay	Chinese	Indian	Others	Malaysian	Foreigner	Directors	7	2	0	1	9	1	Management	7	1	0	0	8	0		Age Group			Gender		40 – 49	50 – 59	60 years an above	Male	Female	Directors	0	4	6	9	1	Management	5	3	0	7	1
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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 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>Currently, the Company has one (1) woman Director on Board. In order for the Company to achieve 30% women Directors with the current Board size, at least three (3) out of ten (10) Directors must be women Directors. The appointment of Directors on the Board was made after objective and thorough assessment by the BNRC that he/she has the appropriate skills and experience required to contribute effectively to the Board, before the appointments are recommended to the Board.</p> <p>The BNRC considers the current Board skill mix and composition have been sufficiently effective in meeting the business demands of the Group. The BNRC had always place priority for new Directors joining the Board to have the required skills and competence to contribute effectively to the Board above all other factors considered for appointment of Directors.</p> <p>In the meantime, the Board had continued to leverage on the current Board members who have a diverse background, ethnicity, age and areas of expertise to meet the application of the above practice.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	As the current Board composition had been effective, the Board will consider the appointment of additional women Director when there is a casual vacancy.	
Timeframe	:	Others	As and when the right woman candidate who is able to complement the current Board composition and mix is identified.

Intended Outcome

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

Practice 4.6

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	During the year, the BNRC had considered and recommended, amongst others, the appointments of three (3) new Directors including the position of Chairman. These candidates were based on recommendations of the major shareholders of the Company.	
		In the highly specialised industry that the Company operates, the candidates of Directors from an independent source might not yield the expected result of bringing suitable candidates to meet the needs of the Company and the expectations of the Board. The reliance of candidates from the Company's shareholders who better understand the needs and complexity of the Company's business had enabled the appointment of suitable Directors to the Board. These Directors are experienced and possess the required competence to complement the current Board members. Moreover, the recommendations of the appointment of Board members are objectively reviewed by the BNRC which members comprise a majority of IDs.	
		The Board considers candidates from all sources including independent sources so long as it is able to identify suitable candidates to complement the existing Board composition.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The engagement of external consultant may be made as and when required.	
Timeframe	:	Others	As and when required

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The BNRC is chaired by YBhg. Datuk Haji Hasni bin Harun, the Independent Non-Executive Chairman of the Company with the support of three (3) other NEDs, two (2) of whom are independent. The majority of the BNRC members are IDs.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board through the BNRC carries out a yearly Board assessment exercise to evaluate the effectiveness of the Board and Board Committees. The evaluation is carried out through the feedback obtained from its Board members. Independence of each ID of the Company is annually assessed to determine that each of them was independent throughout the year.</p> <p>The evaluation is based on a combination of self and peer assessment by Board members via a customized questionnaire circulated to all Board members. Their responses will be collected and collated by the Company Secretaries on behalf of the BNRC.</p> <p>This year's evaluation, as in the year before, was facilitated by an independent consultant. The interview session conducted by the independent consultant with Directors serves as a moderation exercise to understand the responses made by Board members in their questionnaire and to discuss in confidence any suggested improvements to increase the Board's effectiveness and cohesiveness. This feedback would then be discussed with the BNRC Chairman and included in the findings and results of the said evaluation exercise. The BNRC upon discussion of the results will present the findings to the Board.</p> <p>Arising from the findings of the Board evaluation, the Board members will, amongst others understand the gaps in their respective skill matrix and, with the facilitation of the Corporate Secretarial Department, undergo the necessary trainings and continuous improvement programmes. This will enhance their knowledge and skills so that they can contribute effectively as Board members and to keep themselves abreast of the environment in which the business operates.</p> <p>Apart from above, the findings of the Board evaluation had also identified key areas of focus of the Board which would involve the improvement of processes to increase the value creation role of the Board, ways to further increase information flow to Board and Board</p>

	Committees and to improve the efficacy of Board Committees, by reviewing whether there are overlaps in the role of different Board Committees within the Company and to assess if there are gaps in the responsibility and functionality areas of the Board Committees of the Company. The Board has noted the findings of the evaluation and will implement the appropriate actions for areas of improvement identified from the Board evaluation exercise.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, through the BNRC, establishes a formal and transparent policy and procedure for the development of a remuneration policy for the NEDs of the Company and Group, Board Committees, CEO and the Senior Management and the periodic review of the remuneration packages by the BNRC for the Board's recommendation.</p> <p>The recommendation of remuneration for the Directors and the Senior Management of the Company to the Board shall be based on the following considerations:-</p> <ul style="list-style-type: none">(i) the remuneration structure is sufficient to attract and retain suitable individuals needed to manage the Company successfully at the Board as well as the Senior Management levels;(ii) rewards are based on the Company's and individual performances, responsibilities, expertise and complexity of the Company's activities;(iii) the interests of Directors, Senior Management and our stakeholders are aligned with the business strategy and long-term objectives of our Company; and(iv) comparative information obtained from independent remuneration sources within the industry. <p>There is a clear distinction between the remuneration structure of the NEDs and of the EDs and the Senior Management.</p> <p>1) The remuneration of NEDs will comprise the following:</p> <ul style="list-style-type: none">a) a standard fixed fee amount and not by a commission on or percentage of profits or turnover. Additional fees are conferred to every chairmanship held in the Board and Board Committee. The variation of the fee paid for chairmanship depends on the complexity of the subject matter of the Board Committee;

	<ul style="list-style-type: none"> b) additional allowances are paid for attending every meeting; c) the meeting attendance allowance is only payable to NEDs for each Board and/or Board Committee meeting held; d) in the event that the alternate to the NED attends the meeting in the absence of his or her principal Director, the meeting attendance allowance is then payable to the Alternate Director; e) NEDs are also conferred benefits in kind in the form of leave passage and supplemental fees; and f) NEDs are compensated for expenses incurred in the course of attending to the Company's business in the form of travelling passage, lodging and out of pocket expenses. <p>2) The remuneration of EDs and CEO will comprise salaries, allowances, bonuses and other customary benefits as appropriate to Senior Management members, with the level of remuneration determined by BNRC based on prevailing market standards.</p> <p>3) A formal independent review of the Directors' remuneration is undertaken no less frequently than once every three (3) years, and adequate disclosure is made in the Company's annual report.</p> <p>4) Any revision on the Directors' fee is subject to the approval of the shareholders at the general meetings.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The BNRC was constituted as a merged committee of the nomination committee and remuneration committee of the Board on 23 November 2015 and operates under its ToR.</p> <p>Amongst others, the BNRC reviews the overall remuneration policy of the NEDs, EDs and Senior Management including the CEO. The remuneration policy aims to attract, retain and motivate executives and Directors who will create sustainable value and returns for the Company's members and other stakeholders. The authority and duties of the BNRC are included in the ToR of BNRC, which is made available on the Company's website at: http://ir.chartnexus.com/malakoff/doc/NRC_TOR.pdf.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The detailed disclosure on named basis for the remuneration of individual Directors, including breakdown of fees, salary, bonus, benefits in-kind and other emoluments is included in the Corporate Governance Overview Statement on pages 92 to 94 of Annual Report 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure												
Explanation on application of the practice	:													
Explanation for departure	:	<p>Remuneration paid to the top five (5) Senior Management personnel for the financial year ended 31 December 2017 are as follows:-</p> <table border="1" data-bbox="497 891 1401 1191"> <thead> <tr> <th>Top Five (5) Senior Management personnel's remuneration value (not including Executive Director)</th> <th>Number of Senior Management</th> </tr> </thead> <tbody> <tr> <td>RM700,001 – RM750,000</td> <td>1</td> </tr> <tr> <td>RM750,001 – RM800,000</td> <td>2</td> </tr> <tr> <td>RM850,001 – RM900,000</td> <td>1</td> </tr> <tr> <td>RM1,000,000 and above</td> <td>1</td> </tr> <tr> <td>Total</td> <td>5</td> </tr> </tbody> </table> <p>The remuneration value above is computed on an aggregate basis, taking into account the relevant personnel's salary, allowances, bonus, benefits in kind and other emoluments. At this juncture, the Company is of the view that it would not be in the best interest of the Company to make detailed disclosure of each key Senior Management personnel's remuneration on a named basis. In view of the competitiveness in the employment market and as part of the Company's efforts in attracting and retaining executive talents, the Company would like to maintain the confidentiality of the individual remuneration details.</p> <p>The Board ensures that the remuneration of Senior Management is fair and commensurate with the performance of the Company and the contributions made by the Senior Management, but at the same time it is able to attract, retain and motivate the Senior Management to excel in their respective roles.</p>	Top Five (5) Senior Management personnel's remuneration value (not including Executive Director)	Number of Senior Management	RM700,001 – RM750,000	1	RM750,001 – RM800,000	2	RM850,001 – RM900,000	1	RM1,000,000 and above	1	Total	5
Top Five (5) Senior Management personnel's remuneration value (not including Executive Director)	Number of Senior Management													
RM700,001 – RM750,000	1													
RM750,001 – RM800,000	2													
RM850,001 – RM900,000	1													
RM1,000,000 and above	1													
Total	5													
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>														
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.												

Timeframe	:	Others	
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Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the BAC of the Company is Datuk Dr. Syed Muhamad bin Syed Abdul Kadir, an Independent Non-Executive Director, whilst the Chairman of the Company is Datuk Haji Hasni bin Harun, an Independent Non-Executive Chairman of the Company.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The revised ToR of the BAC has included a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the BAC.</p> <p>None of the BAC members is a former key audit partner. If a former key audit partner is to be appointed as a BAC member, he would need to observe the cooling-off period of at least two (2) years before his appointment as a member of the BAC.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>In assessing the suitability, objectivity and independence of KPMG, the external auditors ("EA") of the Company, the BAC conducted an annual assessment of the services rendered and the quality of audit which encompassed the performance of KPMG, the Quality Processes / Performance of the Engagement Team, Audit Team Independence, Objectivity and Professional Scepticism, Audit Scope and Planning Audit Fees, Audit Communication and Interaction. Assessment questionnaires were used as a tool to obtain inputs from each of the BAC members and the Management.</p> <p>KPMG's performance was rated using a four (4) point scale to amongst others, assess the adequacy and competency of the audit team, the ability to provide advice, suggestions or clarifications using technical knowledge and independent judgment, to alert/keep the BAC informed and abreast of the significant audit issues affecting the Group and the impact of new accounting standards to the Group's financial statements and whether active engagement was maintained with the BAC on the audit process, as well as their responsiveness to resolving issues.</p> <p>The independence of the EA is maintained by monitoring the services of non-audit services of the EA by having non-audit services policy approved by the Board. Under this policy, the approval of the BAC is required for the engagement of the Group's EA for the non-audit service, if the cumulative non-audit fees for the year reaches 50% of the prior year's audit fees (which includes the fees for limited quarterly review). The BAC believes that this is an appropriate level to keep the independence of the EA in check and ensure that the judgement of the EA will not be impaired.</p>
Explanation for departure	:	

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>Under the ToR of BAC, at least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants ("MIA") or have at least three (3) years working experiences and have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967 or be a member of one of the associations of accountants specified by Part II of the First Schedule of the Accountants Act 1967 and to fulfil such other requests as prescribed and approved by the Exchange.</p> <p>One of the BAC members of the Company is a member of the MIA and a Certified Public Accountants ("CPA") Australia. Nevertheless, each of the BAC members is financially literate as prescribed under the Corporate Governance Guide 3rd Edition 2017, including but not limited the following:-</p> <ul style="list-style-type: none">a) has an ability to read and understand financial statements;b) has an ability to understand and assess the general application of accounting principles and apply a critical view on the underlying assumptions;c) has an ability to analyse financial statements and challenge management's assertions on financials;d) is aware of, and familiar with, new financial reporting standards and how it impact the company's financial performance which enable the BAC members to ask pertinent questions;e) has an ability to assess the effectiveness of the audit process and the company's finance functions in generating reliable and timely financial information; andf) has an ability to ask probing questions about the company's operations against internal controls and risk factors. <p>Under Corporate Governance Guide 3rd Edition 2017, it is recommended that continuous development programmes should be</p>

	undertaken in four (4) areas namely core functions, skills development, role and purpose of the audit committee and topical updates. The list of trainings attended by the BAC members is included in the Corporate Governance Overview Statement of Annual Report 2017.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Risk management is integrated into the Group’s day-to-day business activities and risk-based evaluation is incorporated into the Group’s decision making process. This demonstrates the emphasis placed by the Board on risk management and underlines the importance of a well-managed risk management programme.</p> <p>The risk tolerance levels are determined and documented in the Group’s Enterprise Risk Management Policy & Framework (“ERM PF”). The Board also actively identifies, assesses and monitors key business risks to safeguard the interest of the Company’s shareholders and assets.</p> <p>The Board, who is responsible for the system of Risk Management and Internal Control throughout the Group, has delegated the above responsibility to the BRIC.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The BRIC reports to the Board quarterly to highlight and discuss the Group’s key risk areas such as strategic, operations, finance, reputation, information & cyber security and fraud. The Board evaluates these risks including the controls in place to mitigate them.</p> <p>The ERMPF is in line with ISO 31000:2009 Risk Management – Principles and Guidelines codified by the International Organisation for Standardisation (“ISO”).</p> <p>The Board through the BRIC’s quarterly discussions, also review and test on the Group’s internal control and risk management framework.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	The BRIC comprises the following NEDs, a majority of IDs:- 1) Datuk Idris Abdullah, an Independent Non-Executive Director (Chairman); 2) Datuk Dr. Syed Muhamad Syed Abdul Kadir, an Independent Non-Executive Director; and 3) Madam Cindy Tan Ler Chin, a Non-Independent Non-Executive Director.

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Internal Audit Charter of the Company approved by the BAC establishes the framework for the effective and efficient functioning of Group Internal Audit ("GIA"). The Charter provides a formal document that defines GIA's purpose, authority, responsibility, independence, objectivity and establishes GIA's position within the organization as well as GIA's independent status within the Group.</p> <p>The BAC also reviews and approves the Annual Internal Audit Plan, budget and organizational structure to ensure that GIA is adequately resourced with competent staff to perform the function effectively and independently. In addition, the BAC also reviews the effectiveness of the internal audit function and assess the performance of GIA and held private session with the Chief Internal Auditor to ensure there were no restrictions on GIA's scope of work and to discuss any other matters that the GIA wishes to escalate.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>GIA has an independent status within the Group and is independent of the activities and functions that it audits. The objectivity and independence status of GIA to ensure that the internal audit personnel are free from any relationship or conflict of interest are accomplished through the following:</p> <p>a) GIA reports directly and functionally to the BAC and administratively to the CEO;</p> <p>b) approval for the appointment and removal of the Chief Internal Auditor by the BAC; and</p> <p>c) approval of GIA’s organization structure, Internal Audit Charter, annual budget and Annual Internal Audit Plan by the BAC.</p> <p>As at 31 December 2017, the total number of personnel in GIA was nine (9) including the Chief Internal Auditor. The name, qualification and work experience of the Chief Internal Auditor are disclosed on page 31 of the Annual Report 2017.</p> <p>The internal audit function of the Company is carried out in accordance with the Guidance and International Standards of Internal Auditing contained in the International Professional Practices Framework (IPPF) by the Institute of Internal Auditors (IIA).</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company employs a wide range of communication modes with its shareholders primarily through its website at www.malakoff.com.my which has dedicated sections for corporate information of the Company and corporate governance practices adopted by the Group. The website provides a wide range of information such as the Company policies, media releases, investor presentations, quarterly and annual financial statements, announcements, share and financial information, annual reports and circulars/statements, to shareholders and investors at large.</p> <p>Other than the forum of general meetings, the Board encourages other mediums of communication between the Company and its shareholders or investors as follows:</p> <ul style="list-style-type: none">(i) the disclosure of full and timely information on the Group's major developments pursuant to the MMLR of Bursa Malaysia;(ii) all information of the Group's activities or press releases made available on the Company's website;(iii) all announcements released to Bursa Malaysia and uploaded onto the Company's website;(iv) physical forums for interactive exchange between the Company's Senior Management and investors at meetings, briefings and site visits; and(v) electronic mail service as a quick and convenient means for receiving all related communications electronically especially in relation to matters on general meetings and annual report of the Company. <p>As an effort to promote effective engagement with shareholders or public at large, the Company has set up an Investor Relations section on its corporate website at www.malakoff.com.my where the relevant investor information is made available for review as well as for enquiries to be posed to the Company's Management. A designated personnel has been assigned to attend or respond to shareholders/investors' enquiries from time to time.</p>

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

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>For financial information which is a key in its investment decisions, the Company had started implementing initiatives of the International Auditing and Assurance Standards Board and introduced the reporting of Key Audit Matters by the EA. Information in the Management Discussion & Analysis includes an overview of the Group's business and operations; discussion and analysis of the financial results and financial condition; review of operating activities; discussion on identified and anticipated or known risks; and forward looking statements comprising trends and the inclusion of the business review.</p> <p>At this moment, company with experience in sustainability reporting is in a better position to adopt integrated reporting, as it is more likely to have established the necessary systems, controls and assurance processes to ensure the quality of non-financial data is able to support and comply with the integrated reporting requirements.</p> <p>As this current the Company's second year of practicing its sustainability reporting, it is currently still at the stage of data collection for non-financial reporting and it is foreseeable that it will take some time to reach maturity before adopting integrated reporting.</p> <p>Once the level of maturity of non-financial reporting practices is adequate and able to comply with global recognised integrated reporting standards, the Company will implement this as soon as it is practicable.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Continuous review and improvement on various reporting documents within the Company.

Timeframe	:	Others	
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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 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Company, by order of the Board, had served at least 28 days' prior notice for its forthcoming 12 th Annual General Meeting ("AGM") which will be held on 26 April 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	All Directors were present at the AGM of the Company held on 19 April 2017 as well as the Extraordinary General Meeting (“EGM”) of the Company held on 28 November 2017, except for Datuk Idris Abdullah, Chairman of BRIC, who was absent from the EGM. Proper communication has been made to all Directors for their attendance at the forthcoming 12 th AGM of the Company scheduled on 26 April 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>This is not applicable to the Company since the Company do not hold meetings in remote locations.</p> <p>However, the Company encourages shareholders' participation in the general meetings. The Company had annually held its general meetings in the centre of Kuala Lumpur which is convenient to the shareholders' attendance. The venue of the general meetings is able to cater to the crowd attendance and also has sufficient parking and public transport access.</p> <p>Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at the general meetings.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	In the unlikely event that the general meeting is held at a remote location, the Company will consider leveraging on the technology to encourage shareholders' participation.	
Timeframe	:	Others	As and when the need arises

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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