

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5264  
**COMPANY NAME** : Malakoff Corporation Berhad  
**FINANCIAL YEAR** : December 31, 2018

## OUTLINE:

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors (the "<b>Board</b>") of Malakoff Corporation Berhad ("<b>Malakoff</b>" / "<b>Company</b>") had established and disclosed in its website, Malakoff's "Vision" which is "To be a premier global power and water company" and its mission as follows:-</p> <ul style="list-style-type: none"><li>• Aspiring to become the preferred employer of choice</li><li>• Deliver superior shareholder value</li><li>• Sought after as a Partner</li><li>• Sustaining Best in Class operating discipline</li><li>• Earning respect as a Good Corporate Citizen</li></ul> <p>The corporate values of Malakoff are Integrity, Teamwork, Innovation, Excellence and Harmony. These core values form the basis of the work ethics, conduct and behaviour in which all employees must adopt for the Group to achieve its Vision and Mission. The Board further ensures that these values are disseminated and operationalised through the establishment of various internal policies, details of which are further described in the explanation to the application of Practice 3.1.</p> <p>As for the pursuit of the Company's corporate objectives, the Board attends two annual Board sessions dedicated for setting and approving the Company's 5-year business plan. The first, would involve an offsite strategy session, an informal session between Board and Management. In this session, industry analysts and consultants were invited to amongst others, brief the Board on global shift of markets trends and industry, competition strategy, insights on emerging market.</p> <p>This will be followed by the presentation by Management of the proposed business plan for discussion and feedback of the Board members. The key takeaways from the strategy session will then used to develop the final 5-year business plan for approval of the Board at a formal Board meeting.</p>

	<p>The Board will thereafter set the annual Corporate Key Performance Index (“<b>KPIs</b>”) of the Company with specific quantifiable targets to be achieved by the Chief Executive Officer (“<b>CEO</b>”) with appropriate weightages assigned on key results areas to guide Management on where the key focus and resources should be dedicated to. The Board will also provide, if necessary, the mandate for additional resources, required by Management to execute the said 5-year business plan. The Board is kept abreast on the progress of the achievement of the business plan on a quarterly basis.</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 Company is an Independent Non-Executive Director (“<b>INED</b>”). His nomination was duly assessed by the Board Nomination Remuneration Committee (“<b>BNRC</b>”) prior to his appointment. He possesses the relevant leadership skills to not only steer the Board to be an effective decision-making body but also to take 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 <a href="http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf">http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf</a>, are set out below:</p> <ol style="list-style-type: none"><li>1) to provide leadership to the Board to enable effective discharge of the Board's responsibilities;</li><li>2) to lead the Board in setting up and overseeing good corporate governance practices throughout the Group;</li><li>3) to chair meetings of the Board in such a manner that will stimulate debate on issues before the Board and encourage the most effective contribution from each member;</li><li>4) to chair meetings of shareholders and ensure effective communication with the Company's shareholders and stakeholders;</li><li>5) to set the agenda for meetings, in consultation with the Company Secretaries, and ensure that the Board members receive complete and accurate information in a timely manner;</li><li>6) to act as liaison between the Board and Management. The Chairman acts as the main link between the Board and Management, particularly, the CEO;</li><li>7) to ensure proper Board committee structure is established including assignment of members and chairman of the Board committees;</li><li>8) to ensure that a succession plan framework which had been properly evaluated by the BNRC and approved by the Board is in place;</li><li>9) to 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 the Malakoff Group;</li><li>10) to conduct performance assessment of the Board, its committees and individual Directors;</li></ol>

	11) to ensure appropriate steps are taken for effective communication between the Board and the stakeholders in exchange of their views and feedback.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The distinct and separate roles of the Chairman and the CEO with clear division of responsibilities to promote accountability of the two roles are provided in the Board Charter which is available on the Company's website at <a href="http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf">http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf</a>.</p> <p>The CEO who is assisted by the Management Committee members, is responsible for the business and day-to-day Management of the Company whilst 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. This division of roles between the two positions will ensure that no one individual has unfettered powers over decision making.</p> <p><b><u>The Chairman</u></b></p> <p>Datuk Haji Hasni Harun has been the Independent Non-Executive Chairman of the Company since June 2017. As the Chairman, he is responsible for leading 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 contribution by Directors are forthcoming on matters being deliberated. He works closely with the Board members in forming policy framework and strategies to align the business activities driven by the Management team.</p> <p><b><u>The CEO</u></b></p> <p>Dato' Ahmad Fuaad Mohd Kenali, who was appointed as CEO of Malakoff since October 2017, is responsible to provide stewardship of the Group's direction and lead the day-to-day Management of the Group. The CEO together with the Management Committee members manage the business of the Group in accordance with the business plan, instructions and directions of the Board, and ensure implementation of the Group's policies and procedures.</p>
<b>Explanation for departure</b>	:	

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

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

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. Both of the Company Secretaries are experienced, competent and qualified company secretary as provided under Section 235(2) of the Companies Act 2016, who assume the following responsibilities:-</p> <ul style="list-style-type: none"><li>• Corporate governance and compliance advisory:<ol style="list-style-type: none"><li>1) updating the Board on the new statutory and regulatory requirements pertaining to the duties and responsibilities of the Directors;</li><li>2) monitoring and ensuring compliance with the Board's and Board Committees' policies and procedures and advising the Board through the Chairman on all governance matters;</li><li>3) providing periodic reminder to the Board on the requirements to disclose Directors' interest in securities of the Company or in any contract to be entered with the Company (if any) or any changes thereof; and</li><li>4) coordinating the induction of new Directors with the Management and facilitating the professional development of all Directors by identifying suitable development programmes for the Directors' selection or participation throughout the year.</li></ol></li><li>• Information flows and meetings:<ol style="list-style-type: none"><li>1) organising and attending all Board and Board committees' meetings as well as ensuring the meetings are properly convened. This includes the accurate and proper recording of the proceedings and resolutions passed and maintenance of such records at the registered office of the Company which will be made available for inspection, if required;</li><li>2) facilitating review of material proposals by the Chairman with Management prior to Board meetings to enhance effective conduct of Board meetings by the Chairman and Board communication; and</li></ol></li></ul>



	<p>3) ensuring the decisions of the Board and Board Committees are communicated to Management for action as necessary.</p> <ul style="list-style-type: none"> <li>• Stakeholder communication: <ul style="list-style-type: none"> <li>1) managing the process pertaining to the general meetings of the Company; and</li> <li>2) serving as a focal point for stakeholder communication and engagement on corporate governance issues.</li> </ul> </li> </ul>		
<b>Explanation for departure</b> :			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b> :			
<b>Timeframe</b> :	<table border="1" style="width: 100%; height: 40px;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> </table>		

### Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has set the practice of having the meeting materials circulated to the Board at least five (5) business days prior to the date set for meetings to provide sufficient time for the Board's perusal and review of the proposals and reports to be discussed at the Board meeting.</p> <p>Draft minutes of each Board meeting are circulated in a timely manner to the Board and the CEO for review and comment before the minutes are tabled for confirmation by the Board at its next 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 Company Secretarial Department.</p> <p>The Directors are informed and encouraged to serve a notice in writing of his/her interest for the Board's information and to abstain from deliberating and voting on matters concerning them.</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

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>a) Board Charter</p> <p>The Board Charter, which is available on the Company's website at <a href="http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf">http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf</a>, is subject to periodic reviews and updates to ensure its relevance and compliance with regulatory requirements.</p> <p>The Board Charter which was approved by the Board on 21 February 2018 set out amongst others, the following: -</p> <ul style="list-style-type: none"><li>a) roles and responsibilities of the Board primarily to provide strategic and business direction of the Company for Management's execution;</li><li>b) roles of responsibilities of the Independent Directors ("IDs") and Non-Independent Non-Executive Directors ("NINED"); and</li><li>c) roles and responsibilities of the CEO.</li></ul> <p>In discharging its responsibilities effectively, the Board had delegated some of its oversight function to Board committees which operate within specific terms of reference ("TOR") of the respective Board committee. The Company has four Board Committees with only the Board Procurement Committee ("BPC") having specific authority of approval delegated by the Board under its terms of reference. The BPC is required to update all decisions made on the proposals for the Board's notation at the next best opportunity. Approval of the TORs of the respective Board committee remains the prerogative of the Board which has the power at any time to change the terms of operations of each of its Board committee as it deemed fit. The TORs of all Board committees had also been included in the Board Charter.</p> <p>The Board Charter could also be used as a tool for the performance appraisal of the Board members.</p>

	<p>b) Board reserved matters</p> <p>To ensure that the direction and control of the Group remain with the Board, it had adopted a formal schedule of matters reserved for the Board's deliberation and decision. The matters reserved for the Board are stated in the Board Charter as well as Limits of Authority of the Group (“<b>LOA</b>”) summarised as follows:-</p> <ul style="list-style-type: none"> <li>a) review and approve the Company's and Group's strategic plans;</li> <li>b) approval of material investment or divestment in a Company, material business, property or undertaking;</li> <li>c) approval of investment or divestment of capital projects which represent a significant diversification from the Group's existing business activities;</li> <li>d) approval of material changes in the activities of the Group and Group corporate structure;</li> <li>e) approval of policies and bank mandates of the Company and Group;</li> <li>f) approval of LOA for the Company and Group and its revision therein;</li> <li>g) any decision to cease operation of all or any material part of the Group's business; and</li> <li>h) declaration of dividends and approval of financial statements including accounting policies of the Group.</li> </ul> <p>The business matters delegated to the Management are clearly defined in the LOA. The LOA defines the type of matters which still requires the Board's decision in view of its materiality of value and those delegated to the Management with appropriate escalation and reporting to the Board.</p> <p>The LOA serves to provide the necessary delegation of authority to Management by the Board. This will ensure timely business decisions are made, and Management is empowered to execute appropriate business activities and strategies to meet the needs of the Group's business. The LOA allows a balanced and effective oversight with appropriate empowerment and accountability to Management.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The introduction and implementation of this Code of Conduct ("<b>Code</b>") is as a catalyst to achieve such goal where the Code will function as a guide for the Employees (as defined in the Code) to understand and adopt the basic standard of conduct that is expected of them.</p> <p>Generally, there are eight underlying principles that the Employees must observe. These principles form the basis of the Employees' conduct towards the Company, customers, vendors, suppliers, contractors and other external parties. These basic principles are:-</p> <ul style="list-style-type: none"><li>a. <b>HONESTY</b>: avoiding hiding the truth;</li><li>b. <b>INTEGRITY</b>: avoiding situations where the personal interest of the Employees appears to be in conflict with the interest of Malakoff Group;</li><li>c. <b>LEADERSHIP</b>: avoiding abuse or misuse of the Employees' position in the Company;</li><li>d. <b>PROFESSIONALISM</b>: maintaining secrecy at all time of confidential information obtained in the course of the Employees' employment in Malakoff Group and not disclosing or using such confidential information for personal advantage;</li><li>e. <b>LOYALTY</b>: avoiding placing the reputation of the Company in jeopardy;</li><li>f. <b>RESPONSIBLE</b>: disclosing and seeking clarification from relevant persons in the Company whenever in doubt or whenever ethical concerns arise;</li><li>g. <b>TRUSTWORTHY</b>: avoiding misuse of the Company's resources or assets for personal gain; and</li><li>h. <b>PERSONAL CONDUCT</b>: conducting or behaving in any manner at any place and time that does not bring disrepute to the good name of Malakoff Group.</li></ul>

	The Code shall serve as the Company's formal commitment to conduct itself professionally at all times and do business in a transparent, appropriate and fair manner. The Code is meant as a reference for all levels of employees as well as all parties that do business with the Company.	
<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 Board acknowledges the importance of maintaining an open working environment in which the voice of the Company's staff 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, criminal offences, fraud, corruption, non-compliance to laws and regulations, breach of Group's policies and the Code or other malpractices without fear of reprisal.</p> <p>Any disclosure of improper conduct can be made orally or in writing to the Chairman of the Board Audit Committee ("<b>BAC</b>") through a letter or e-mail to <a href="mailto:whistleblowing@malakoff.com.my">whistleblowing@malakoff.com.my</a>. A whistle-blower is assured confidentiality of identity to the extent reasonably practicable. 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 is also to ensure that fair treatment is provided to both whistle-blower and the alleged wrong-doer when a disclosure of improper conduct is made. The involvement of the BAC Chairman in the reporting channel will also provide an added assurance to whistle-blowers that the implementation of the Whistle-blowing Policy will be properly followed and escalated to the Board. The salient terms of the Whistle-blowing Policy are made available at the Company's corporate website.</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

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

### Practice 4.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board acknowledges the recommendation under Practice 4.1 of the MCCG 2017 which suggests a “Large Company” such as Malakoff to have majority IDs on the Board. The Company has increased the percentage of its IDs in the Board composition from 33.3% last year to 50% in 2018.</p> <p>The Board has also regarded the current Board composition to be effective in decision making at the Board level where independent deliberation is being upheld with the presence of the four Independent Non-Executive Directors (“INEDs”) at the Board together with a nominee director of the Company’s major shareholders which is a statutory body managing funds belonging to the general public. The views and deliberations of this Board nominee is usually aligned towards safeguarding 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 at least a majority of its Directors that is five out of eight Directors.</p> <p>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 and will fulfil the majority IDs requirement when the need arises.</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>	:	Our current Board composition can garner majority independent and objective views in the Board discussions and voting. This had accordingly met with the spirit of the principle. Nevertheless, the Board will consider the appointment of additional IDs as and when there is retirement or resignation of the non-ID or when the need arises.
<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 4.2**

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

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

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

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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

## Intended Outcome

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

## Practice 4.4

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

<b>Application</b>	: Applied																																							
<b>Explanation on application of the practice</b>	<p>The following key skills and experience serve as a guide in the nomination/appointment of new Directors and Senior Management for the Malakoff Group: -</p> <ul style="list-style-type: none"> <li>(i) knowledge and experience in energy and water industry that is relevant to the Group's strategy of its core business;</li> <li>(ii) have financial acumen to assess and analyse the quality of financial controls, financial statements and performance, corporate finance, capital management and funding arrangements;</li> <li>(iii) knowledge and experience in the best practice governance structures, policies &amp; processes, risk &amp; compliance frameworks;</li> <li>(iv) legal knowledge on operation of the business and managing legal, regulatory, public policy and corporate affairs issues; and</li> <li>(v) experience in monitoring the Company's culture, overseeing people management and succession planning and setting remuneration framework at Board and Management level.</li> </ul> <p>The Board skills matrix set out below described the combined skills, expertise and experience presently represented on the Board. This matrix has been used by the Board to assess the required Board composition especially on selection and recruitment of future Directors. The Board also considers diversity when it recruits Senior Management.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Skills &amp; experience</th> <th>No. of Directors</th> </tr> </thead> <tbody> <tr> <td>Accounting</td> <td>3</td> </tr> <tr> <td>Business Administration</td> <td>1</td> </tr> <tr> <td>Economics</td> <td>2</td> </tr> <tr> <td>Legal</td> <td>1</td> </tr> <tr> <td>Energy / Technical</td> <td>1</td> </tr> </tbody> </table> <p>The diversity in the race/ethnicity (cultural background), nationality, age and gender in the Board and Management are as follows: -</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <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><b>Directors</b></td> <td>5</td> <td>2</td> <td>0</td> <td>1</td> <td>8</td> <td>0</td> </tr> <tr> <td><b>Management</b></td> <td>8</td> <td>1</td> <td>0</td> <td>0</td> <td>9</td> <td>0</td> </tr> </tbody> </table>	Skills & experience	No. of Directors	Accounting	3	Business Administration	1	Economics	2	Legal	1	Energy / Technical	1		Race/Ethnicity				Nationality		Malay	Chinese	Indian	Others	Malaysian	Foreigner	<b>Directors</b>	5	2	0	1	8	0	<b>Management</b>	8	1	0	0	9	0
Skills & experience	No. of Directors																																							
Accounting	3																																							
Business Administration	1																																							
Economics	2																																							
Legal	1																																							
Energy / Technical	1																																							
	Race/Ethnicity				Nationality																																			
	Malay	Chinese	Indian	Others	Malaysian	Foreigner																																		
<b>Directors</b>	5	2	0	1	8	0																																		
<b>Management</b>	8	1	0	0	9	0																																		

	Age Group				Gender	
	20 – 29 years	40 – 49 years	50 – 59 years	60 years and above	Male	Female
<b>Directors</b>	1	0	3	4	6	2
<b>Management</b>	0	5	4	0	7	2
	<p>None of the Company's Directors and Senior Management has any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company.</p> <p>Other than traffic offences, none of the Company's Directors and Senior Management has been convicted for any offences within the past five (5) years nor has been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year under review.</p> <p>The Directors' and Senior Management's profiles are disclosed from pages 16 to 28 in the Annual Report 2018.</p>					
<b>Explanation for departure</b>	:					
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>						
<b>Measure</b>	:					
<b>Timeframe</b>	:					

## Intended Outcome

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

## Practice 4.5

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>There was an increase in percentage of women Directors on the Board from 10% as at 31 December 2017 to 25% as at 31 December 2018 with the appointment of Cik Sharifah Sofia Syed Mokhtar Shah as NINED of the Company. Whilst the Board recognises that MCCG 2017 had recommended that Large Companies such as Malakoff should have at least 30% women Directors, any appointment of Directors on the Malakoff Board is only made after objective and thorough assessment by the BNRC of the appropriateness of the candidate's skills and experience to the position.</p> <p>The current Board of Malakoff which comprised eight (8) board members have a mix of the skills and experience as set out in Practice 4.4 above.</p> <p>The BNRC is of the view that the current Board skill mix and composition have sufficiently been effective in meeting the business demands of the Group. The BNRC has always placed priority for new Directors joining the Board to have the required skills and competence to contribute to an effective 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 which have a diverse background, ethnicity, age and areas of expertise to meet the application of the above principles.</p> <p>The Board will consider the appointment of additional woman candidate as and when the right woman candidate who can complement the current Board composition and mix is identified.</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>	:	As the current Board composition had been effective, the Board will consider the appointment of more women Directors when there is a casual vacancy.

<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 4.6

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>In the highly specialised industry that the Company operates, the candidates of Directors and the Chief Executive Officer 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. Hence, the Company did not rely on independent source for any appointment of its Directors since the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad ("<b>Bursa Malaysia</b>") in 2015.</p> <p>The reliance of candidates recommended by the Company's major shareholders, who have better understanding of the needs and complexity of the Company, had enabled the recruitment of the new Director during the year. Nevertheless, the selection of Board members is objectively reviewed by the BNRC which members comprised a majority of IDs.</p> <p>During the year, the BNRC had considered and recommended the appointment of a new NINED, who was nominated by the ultimate major shareholder of the Company, to replace a NINED who resigned on the same day. Given that the appointment of Director was in respect of a NINED, the assistance of independent source was not required.</p> <p>The Board considers candidates from all sources including independent sources so long as it is able to recruit quality and suitable Directors to complement the existing Board composition.</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 engagement of external consultant will be made as and when required.
<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 4.7**

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

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

### Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board through the BNRC carries out a yearly Board assessment exercise to evaluate the appropriateness of the Board and Board committees in terms of its size and composition as well as effectiveness. The evaluation is carried out through the feedback obtained from the Board members. The independence of each ID of the Company is annually assessed by the other NINEDs to determine that each ID had acted in an independent and objective manner throughout the year. Pursuant to the said exercise, comments received from the Board (including areas for improvements) will be addressed during FY2019. The areas of improvement from the Board assessment include amongst others, the following:-</p> <ul style="list-style-type: none"><li>(i) training and briefing in respect of the changes and development of regulations, audit, accounting, financial reporting and industry; and</li><li>(ii) certain administrative aspects of Board's meetings such as inclusion of additional agenda items identified by the Board to be discussed at the Board meetings, enhancement of the board papers contents and presentation at Board meetings and improvement on the consistency of the timeliness of board paper dissemination.</li></ul> <p>The evaluation was carried out through the feedback obtained from each Board member who will complete a set of customised questionnaires designed to evaluate the current Board composition and activities. This Board assessment covers the evaluation of the Board effectiveness in terms of its structure, Board operation and interaction, Board communication and its roles and responsibilities as well as a combination of self and peer assessment. The Board's responses and feedback to the questionnaires will be collated and thereafter analysed for formulation of action plans to improve areas in which Board members had identified required more focus and have room for improvement. The BNRC, upon discussion of the results, will present the findings to the Board.</p>

	The Board had for the past two (2) years engaged an independent expert to facilitate Board evaluations. For this year, the Board evaluation was facilitated by the office of the Company Secretary.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board, through the BNRC, establishes a formal and transparent policy and procedure for the development of a remuneration policy for the Directors of the Company and its Group, Board committees and the Senior Management.</p> <p>The BNRC had also established an objective remuneration structure for Directors of the Company and the Group and the Senior Management and provide the necessary recommendations to the Board on the remuneration of the Board of the Company and the Group and the Senior Management which includes the CEO. This is achieved through benchmarking exercise.</p> <p>The remuneration policy aims to attract, retain and motivate Directors and Senior Management personnel who will create sustainable value and returns for the Company's members and other stakeholders. There is a clear distinction between the remuneration structure of the NED and of the CEO and the Senior Management. The components making up the remuneration of the Directors and CEO are outlined in the TOR of BNRC which is available at the Company's website at <a href="http://www.malakoff.com.my">www.malakoff.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 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The BNRC was constituted as a merged committee of the nominating and remuneration committees of the Board since 23 November 2015 and operates under its TOR.</p> <p>Amongst others, the BNRC reviews the overall remuneration policy of the NEDs and Senior Management. The remuneration policy aims to attract, retain and motivate Directors and Senior Management executives who will create sustainable value and returns for the Company's members and other stakeholders. There is a clear distinction between the remuneration structure of the NEDs and the Senior Management.</p> <p>As provided under the Company's remuneration policy, the recommendation of remuneration for the Directors of the Company and the Group and the Senior Management of the Company shall be based on the following considerations:-</p> <ul style="list-style-type: none"><li>(i) level of remuneration structure that is sufficient to attract and retain the individuals needed to manage the Company successfully at the Board as well as the Senior Management level;</li><li>(ii) links rewards to both the Company and individual performances, responsibilities, expertise and complexity of the Company's activities; and</li><li>(iii) alignment of the interests of Directors, Senior Management and the stakeholders with the business strategy and long-term objectives of the Company.</li></ul> <p>The authority and duties of the BNRC are set out in the TOR of BNRC and made available for review on the Company's website.</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 7.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The detailed disclosure on named basis for the remuneration of individual Director and the remuneration breakdown of each individual Director includes fees, salary, bonus, benefits in-kind and other emoluments is included in the Corporate Governance Overview Statement of Annual Report 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 7.2

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

<b>Application</b>	:	Applied																		
<b>Explanation on application of the practice</b>	:	<p>Remuneration paid to the top five Senior Management personnel for the financial year ended 31 December 2018 is as follows:-</p> <table border="1"> <thead> <tr> <th>Top Five Senior Management personnel's remuneration value</th> <th>Number of Senior Management</th> <th>Name</th> </tr> </thead> <tbody> <tr> <td>RM700,001 – RM750,000</td> <td>2</td> <td>1. Mohd Nazersham Mansor 2. Vincent Yap Leng Khim</td> </tr> <tr> <td>RM750,001 – RM800,000</td> <td>1</td> <td>Ruswati Othman</td> </tr> <tr> <td>RM850,001 – RM900,000</td> <td>1</td> <td>Habib Husin</td> </tr> <tr> <td>RM1,000,000 and above</td> <td>1</td> <td>Dato' Ahmad Fuaad Mohd Kenali</td> </tr> <tr> <td><b>Total</b></td> <td>5</td> <td></td> </tr> </tbody> </table> <p>The above remuneration value is computed on an aggregate basis, taking into account the relevant personnel's salary, allowances, bonus, benefits in kind and other emoluments.</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, and at the same time it is able to attract, retain and motivate the Senior Management to excel in their respective roles.</p>	Top Five Senior Management personnel's remuneration value	Number of Senior Management	Name	RM700,001 – RM750,000	2	1. Mohd Nazersham Mansor 2. Vincent Yap Leng Khim	RM750,001 – RM800,000	1	Ruswati Othman	RM850,001 – RM900,000	1	Habib Husin	RM1,000,000 and above	1	Dato' Ahmad Fuaad Mohd Kenali	<b>Total</b>	5	
Top Five Senior Management personnel's remuneration value	Number of Senior Management	Name																		
RM700,001 – RM750,000	2	1. Mohd Nazersham Mansor 2. Vincent Yap Leng Khim																		
RM750,001 – RM800,000	1	Ruswati Othman																		
RM850,001 – RM900,000	1	Habib Husin																		
RM1,000,000 and above	1	Dato' Ahmad Fuaad Mohd Kenali																		
<b>Total</b>	5																			
<b>Explanation for departure</b>	:																			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																				
<b>Measure</b>	:																			
<b>Timeframe</b>	:																			



### **Intended Outcome**

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

### **Practice 7.3 - Step Up**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The TOR of the BAC had included 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 BAC.</p> <p>None of the BAC are former key audit partner. Should there be any prospective former key audit partner who is being considered as a BAC member, he would be required to observe the above mentioned cooling-off period.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In assessing the suitability, objectivity and independence of the External Auditor ("EA"), the BAC performed an annual assessment on the quality of audit services rendered by the EA encompassing the performance of KPMG, the quality processes / performance of the engagement team, audit team's independence, objectivity and professional scepticism, audit scope and planning, audit fees and audit communication and interaction. Assessment questionnaires were used as a tool to obtain inputs from each of the BAC member 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 applicable to the Group's financial statements, maintain active engagement on the audit process with the BAC, as well as their responsiveness in resolving issues.</p> <p>The independence of the EA is maintained and safeguarded through the establishment of a non-audit services policy which was approved by the Board on 23 May 2017. Under this policy, the BAC's approval is required for the engagement of the Group's EA for non-audit services, if the cumulative fee for the non-audit services for the year reaches 50% of prior year's audit fees (which included the fees for limited quarterly review). The BAC believes that this is an appropriate level to maintain and safeguard the independence of the EA and ensure that the judgement of the EA will not be impaired.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

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

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Under the TOR of BAC, at least one member of the Committee must be a member of the Malaysian Institute of Accountants ("MIA") or have at least three years working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or be a member of one of the associations of accountants specified by Part II of the 1st Schedule of the Accountants Act 1967 and to fulfil such other requests as prescribed and approved by Bursa Malaysia.</p> <p>One of the BAC members is a member of the MIA. Nevertheless, each of the BAC members is financially literate as prescribed under the Corporate Governance Guide 3<sup>rd</sup> Edition 2017, including but not limited the following:-</p> <ul style="list-style-type: none"><li>• has the ability to read and understand financial statements;</li><li>• has the ability to understand and assess the general application of accounting principles and apply a critical view on the underlying assumptions;</li><li>• has the ability to analyse financial statements and challenge Management's assertions on financials;</li><li>• has the awareness of, and familiarity with, new financial reporting standards and how they impact the Company's financial performance so that appropriate questions are raised;</li><li>• has the ability to assess the effectiveness of the audit process and the Company's finance functions in generating reliable and timely financial information; and</li><li>• has the ability to ask probing questions about the Company's operations against internal controls and risk factors.</li></ul> <p>Under the Corporate Governance Guide 3<sup>rd</sup> Edition 2017, continuous development programmes have been recommended for the BAC members in relation to four areas namely core functions, skills development, role and purpose of the BAC and</p>

	<p>topical updates. During the financial year, the BAC members have attended trainings and conferences for their continuous professional development to keep themselves abreast with the relevant development in the industry and changes in regulations, which would further enhance their ability to discharge their duties as effective BAC members. The list of trainings attended by the BAC members is as follows:-</p> <ul style="list-style-type: none"> <li>• Energy Sector Outlook – presentation by RHB Research Institute</li> <li>• Energy Transition: Trends and Opportunities – presentation by A.T. Kearney</li> <li>• Understanding Blockchain Technology and Its Potential</li> <li>• FinTech and the Transformation in Financial Services (an online non-credit course authorized by Copenhagen Business School and offered through Coursera)</li> <li>• Qualified Risk Director Program: Cybersecurity Oversight in the Boardroom</li> <li>• Leadership Talk in Universiti Malaya</li> <li>• Overview of Sustainability Reporting</li> <li>• Forum on Blockchain in Financial Services Industry</li> <li>• Advocacy Programme on CG Assessment organized by Bursa Malaysia</li> <li>• Executive Lecture Series by LSE Alumni Society of Malaysia – 10 Years After the Global Financial Crisis: Lesson Learnt.....or Forgotten?</li> </ul>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		



**Intended Outcome**

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

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

**Practice 9.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>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 &amp; Framework (“<b>ERM PF</b>”). The Board also actively identify, assess and monitor 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 Board Risk and Investment Committee (“<b>BRIC</b>”).</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

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

**Practice 9.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The BRIC reports to the Board on a quarterly basis, the disclosure and discussion of the Group’s key risk areas such as strategic, operations, finance, reputation, information &amp; 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.</p> <p>The Board through the BRIC’s quarterly discussions also reviews and tests on the Group’s internal control and risk management framework.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### **Intended Outcome**

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

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

### **Practice 9.3 - Step Up**

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The BRIC of the Company comprises majority of IDs as follows:- <ol style="list-style-type: none"><li>1) Datuk Idris Abdullah, an INED (Chairman);</li><li>2) Datuk Dr. Syed Muhamad Syed Abdul Kadir, an INED;</li><li>3) Madam Cindy Tan Ler Chin, a NINED; and</li><li>4) Datuk Rozimi Remeli, an INED (appointed on 8 March 2019).</li></ol>

**Intended Outcome**

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

**Practice 10.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit Charter of the Company approved by the BAC establishes the framework for the effective and efficient functioning of Group Internal Audit (“GIA”). The Charter is the 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 of GIA to ensure that it is adequately resourced with competent staff to perform the internal 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 sessions with the Chief Internal Auditor to ensure there were no restrictions on the GIA’s scope of work and to discuss any matters that GIA wishes to escalate to the BAC.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

## Practice 10.2

The board should disclose–

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>GIA has an independent status within the Group. The objectivity and independence of GIA to ensure that the internal audit personnel are free from any relationship or conflict of interest are accomplished through the following:-</p> <ol style="list-style-type: none"> <li>a) GIA reports directly and functionally to the BAC and administratively to the CEO;</li> <li>b) approval for the appointment and removal of the Chief Internal Auditor by the BAC;</li> <li>c) approval of GIA's organization structure, Internal Audit Charter, annual budget and Annual Internal Audit Plan by the BAC; and</li> <li>d) GIA is independent of the activities and activities that it audits.</li> </ol> <p>As at 31 December 2018, the total number of personnel in GIA was nine including the Chief Internal Auditor.</p> <p>The name, qualification and work experience of the Chief Internal Auditor are disclosed under the Company's Management Team profile in the Annual Report.</p> <p>The internal audit function of the Company is carried out in accordance with the International Professional Practices Framework ("IPPF") by the Institute of Internal Auditors ("IIA").</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>	:		
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### Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company employs a wide range of communication modes with its shareholders primarily through its website at <a href="http://www.malakoff.com.my">www.malakoff.com.my</a> 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's 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, listed as follows:</p> <ul style="list-style-type: none"><li>(i) the disclosure of full and timely information on the Group's major developments pursuant to the Main Market Listing Requirements of Bursa Malaysia;</li><li>(ii) all information of the Group's activities or press releases made available on the Company's website;</li><li>(iii) all announcements released to Bursa Malaysia and uploaded onto the Company's website; and</li><li>(iv) physical forums for interactive exchange between the Company's Senior Management and investors at meetings, briefings and site visits.</li></ul> <p>In order to promote effective engagement with shareholders or public at large, an Investor Relations section had been set up on its corporate website at <a href="http://www.malakoff.com.my">www.malakoff.com.my</a>, where relevant investors' information are made available for review as well as for enquiries to be posed to the Company's Management. A designated personnel is assigned to attend or respond to shareholders'/investors' enquiries from time to time.</p>
<b>Explanation for departure</b>	:	

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

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



### Intended Outcome

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

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

### Practice 11.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>For financial information which is key in its investment decisions, the Company had started implementing initiatives such as the International Auditing and Assurance Standards Board, introduced the reporting of Key Audit Matters by the EA. Information in the Management Discussion &amp; 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>In addition, 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. As the Company is new in its sustainability reporting, it is still at the stage of data collection for non-financial reporting and it is estimated that it will take some time to reach maturity before the Company could fully adopt 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>		
<b>Measure</b>	:	Continuous review and improvements on various reporting documents within the Company.

<b>Timeframe</b>	:	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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company, with the consent of the Board, has served at least 28 days' prior notice for its forthcoming 13 <sup>th</sup> Annual General Meeting (" <b>AGM</b> ") which will be held on 25 April 2019.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Directors (save for one who was represented by his alternate) were present at the 12 <sup>th</sup> AGM of the Company held on 26 April 2018 whilst all Directors attended the extraordinary general meeting (“ <b>EGM</b> ”) of the Company held on 2 October 2018. The Board had been duly informed of the date of the forthcoming 13 <sup>th</sup> AGM of the Company scheduled on 25 April 2019.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>This is not applicable to the Company since the Company does not hold meetings in remote locations.</p> <p>However, the Company encourages shareholders' participation in the general meetings. The Company has 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>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	In the event that the general meeting is to be held at a remote location, the Company will consider leveraging on the technology to encourage shareholders' participation.
<b>Timeframe</b>	:	Others

**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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