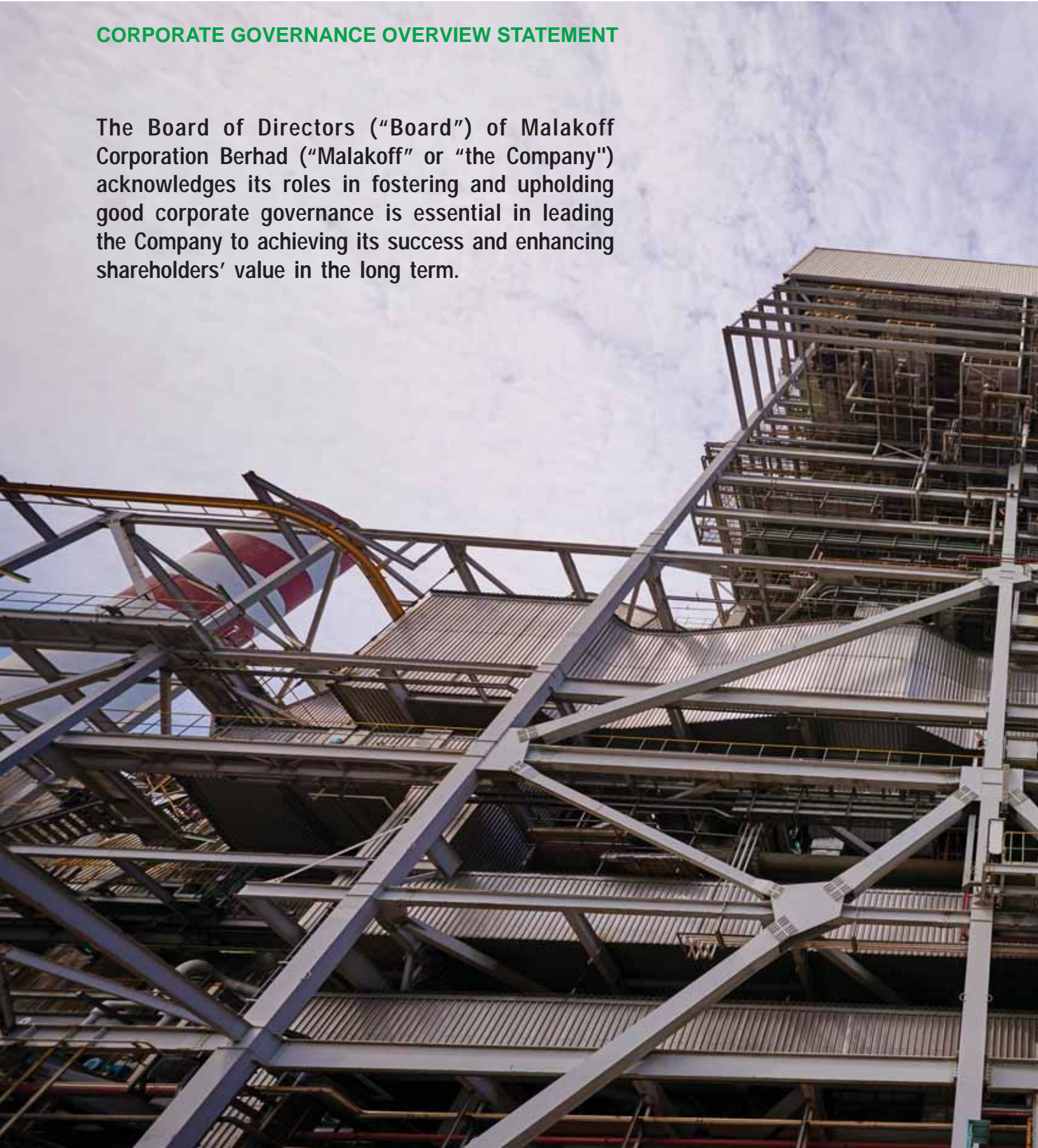


# GOVERNANCE STATEMENTS

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Malakoff Corporation Berhad (“Malakoff” or “the Company”) acknowledges its roles in fostering and upholding good corporate governance is essential in leading the Company to achieving its success and enhancing shareholders’ value in the long term.





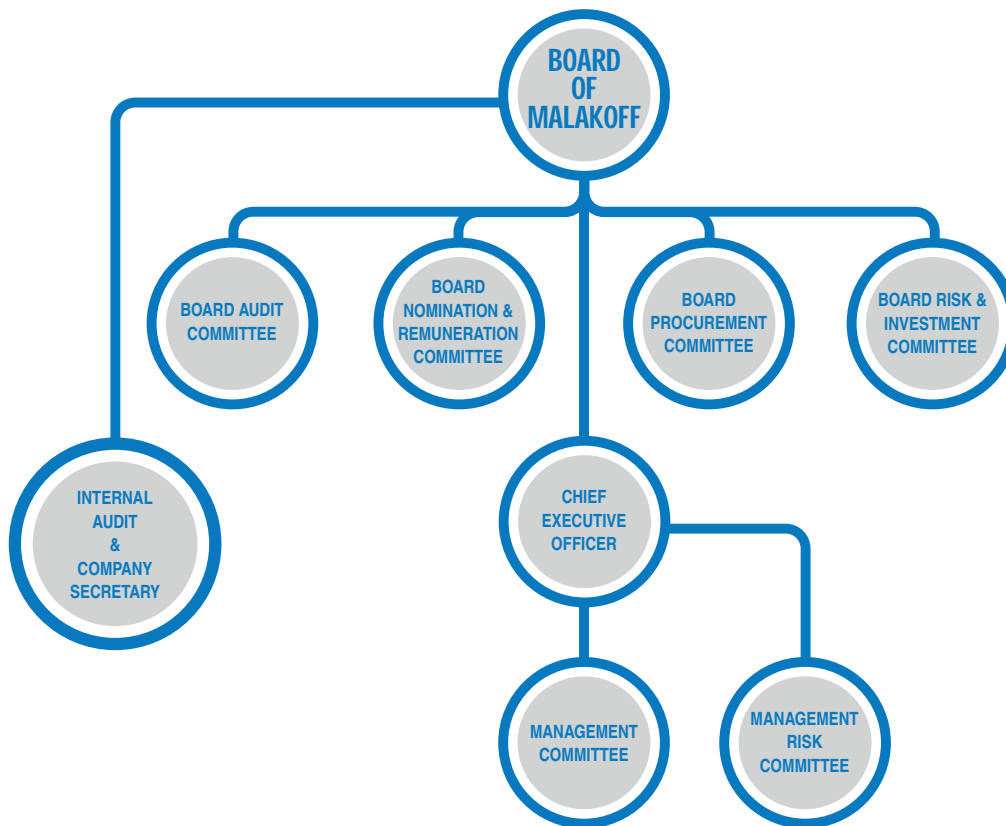
Therefore, although faced with an increasingly challenging operating environment, the Board continues to take its responsibilities under the Malaysian Code of Corporate Governance 2017 (“MCCG 2017”) with care and had made every effort, where possible, in applying the principles of good corporate governance prescribed in the MCCG 2017.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

This corporate governance overview is prepared up to 8 March 2019 and was approved by the Board on even date. It sets out a summary of the corporate governance practices undertaken during the financial year with reference to the three principles of MCCG 2017, its key focus areas and future priorities in relation to the corporate governance practices. In addition to this, the application of each of the practices set out in the MCCG 2017 is disclosed in our Corporate Governance Report (CG Report) which is available on Malakoff’s corporate website at [www.malakoff.com.my](http://www.malakoff.com.my). Malakoff’s Corporate Governance Framework which is premised upon the following statutory provisions, best practices and guidelines is summarised in the diagram below:

1. Companies Act 2016 (“Act”);
2. Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”); and
3. MCCG 2017.



## A. BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD ACTIVITIES

The principal role of the Board of Malakoff (“**Malakoff Board**”) is to govern and set the strategic direction of the Group while exercising its oversight over management of Malakoff and its businesses in accordance with the approved strategic plan for the Malakoff Group. This strategic plan, albeit approved, remains a robust plan as it is reviewed periodically by the Management to ensure relevance to its current operating environment including changes to the Government’s policies for the power industry.

The Board also sets the Group’s core values, adopts proper standards to ensure that the Group operates with integrity, and complies with the relevant rules and regulations. The roles and responsibilities of the Board are set out in the Board Charter which is available on the Malakoff’s corporate website at [www.malakoff.com.my](http://www.malakoff.com.my).

In fulfilling its roles and responsibilities, the key activities of the Board during the financial year 2018 (“**FY2018**”) are as set out below:-

Strategy
<ul style="list-style-type: none"> <li>• attended the annual strategy engagement session with the Management at an offsite location for the setting of the Group’s 5-year business plan from 2019 to 2023.</li> <li>• attended industrial analysts’ briefings to gain better insights of the global shift of market trends and industry, competition strategy, insights on emerging market before setting the strategic direction of the Group for its 5-year business plan.</li> <li>• quarterly update on business development initiatives approved under the business plan, its progress and their challenges.</li> </ul>
Financial oversight & reporting
<p>Reviewed and deliberated on the following reports and approval papers:-</p> <ul style="list-style-type: none"> <li>• Annual budget and capital/operation expenditure plan of the Group for financial year 2019;</li> <li>• the Group’s quarterly interim financial results;</li> <li>• the Group’s tenders and procurements in accordance with Limits of Authority (“<b>LOA</b>”) of the Group;</li> <li>• the Group’s Transfer Pricing Policy – Intragroup Financing Transactions of Malakoff Group; and</li> <li>• the revised LOA to streamline the approving authorities to reflect the revised organisation structure of Malakoff.</li> </ul>
Risk, Compliance and Oversight
<p>Reviewed, deliberated and/or endorsed/approved the following reports and approval papers: -</p> <ul style="list-style-type: none"> <li>• action plans to mitigate significant strategic and operational risks faced by the Group on quarterly basis;</li> <li>• quarterly reports of the Group’s safety performance for the Group’s local and overseas operating assets of the Group and reviewed the HSSE activities undertaken during the financial year to improve safety performance and enhance workplace safety awareness;</li> <li>• Internal Audit Reports from the Board Audit Committee (“<b>BAC</b>”);</li> </ul>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

<b>Risk, Compliance and Oversight (continued)</b>
<ul style="list-style-type: none"> <li>quarterly reports of the related party transactions and recurrent related party transactions to ensure that the transactions entered by the Malakoff Group with related parties are fair, reasonable and not detrimental to the minority shareholders' interest;</li> <li>the adequacy and the integrity of the Management information and internal control systems of the Company and the Group; and</li> <li>the Group's compliance with the relevant laws and regulation as well as Malakoff's internal policies and procedures including the Companies' Constitution.</li> </ul>
<b>Governance</b>
<b>Board performance and composition</b>
<ul style="list-style-type: none"> <li>annual Board assessment to evaluate the performance of the Board, Board Committees and the individual directors.</li> <li>monitored the attendance of Directors for trainings, seminars and workshops to keep themselves abreast with recent development of laws, regulations and the industry.</li> <li>reviewed the composition of the Board and Board Committees and of its key subsidiaries.</li> </ul>
<b>Leadership evaluation &amp; selection</b>
<p>Reviewed, deliberated, oversaw and/or endorsed/approved the following activities: -</p> <ul style="list-style-type: none"> <li>setting of Corporate Key Performance Indicators ("KPIs") upon the approval of the business plan for 2019;</li> <li>achievement of the Corporate KPIs for the performance against set KPIs for 2018; and</li> <li>determination of bonus and salary increment for the Chief Executive Officer ("CEO") and the Senior Management team.</li> </ul>
<b>Succession planning</b>
<ul style="list-style-type: none"> <li>succession planning for the CEO, Senior Management team and other key positions.</li> <li>reviewed and evaluated the calibre and suitability of candidate(s) to be nominated to the Boards of Malakoff's key subsidiaries or associate companies.</li> <li>establishment of internal policy and training for employees who are nominated to represent Malakoff on the Boards of subsidiaries and associates of the Group.</li> <li>reviewed Talent Management and Development programmes.</li> </ul>
<b>Sustainability</b>
<ul style="list-style-type: none"> <li>reviewed and monitored the Group's corporate social responsibilities ("CSR") and the related activities to promote CSR.</li> <li>reviewed and considered the social and environmental impact of the Group's activities and operations and monitor the compliance with the Group's sustainability responsibilities and the relevant regulatory requirements.</li> </ul>

The Board is assisted by four Board committees in the review and monitoring of the above functions. The Board Committees namely BAC, Board Nomination and Remuneration Committee ("BNRC"), Board Risk and Investment Committee ("BRIC") and Board Procurement Committee ("BPC") work within their delegated authority and respective terms of reference approved by the Board.



## II. BOARD COMPOSITION

### a) Board Size and Structure

The Malakoff Board, with eight non-executive directors, is composed of equal number of independent and non-independent directors. The composition of the Board meets the MMLR of Bursa Malaysia which requires a minimum one-third of independent directors (“IDs”) (including the Chairman). The Company endeavours to increase the number of IDs to more than 50% as set out in the MCCG 2017. During the year, the Board welcomed one new member who is a Non-Independent Non-Executive Director (“NINED”). The Board considers the current Board size to be optimal in ensuring swift decision making and at the same time, effective discharge of its duties and responsibilities.

The tenure of Malakoff’s IDs has not exceeded a cumulative term of nine years since its listing in May 2015 and will only be due in May 2024. Nevertheless, the Board had adopted a policy to set the cumulative term limit of 12 years for IDs who should thereafter serve as non-IDs of the Company.

The Board takes cognizance of having a diverse range of different skills, knowledge, experience, and background and gender among its members could bring along with its effective Board deliberation and robust decision making where matters are viewed from wider and broader perspectives. Since the adoption of a diversity policy on 21 November 2016, the Board regularly reviews the current and desired skills and experience of each Director and the Board as a whole, taking into consideration the specialised and changing environment that the Company operates.

During the year, there was an increase in percentage of women Directors on the Board from 10% in 2017 to 25% in 2018 with the appointment of Cik Sharifah Sofia Syed Mokhtar Shah as NINED of the Company. Being the youngest Board member at the age of 25, she brings balance of age to the Board as majority of our Board members are in the age range of 50 and above.

### b) Re-election and Re-appointment of Directors

The Company’s Constitution mandates that all Directors submit themselves for re-election at least once every three years. The Company’s Constitution also mandates that one-third of the Board shall retire from office every year and shall be eligible for re-election at the Annual General Meeting (“AGM”) of the Company. In this respect, the new director and two non-executive directors will be retiring at the forthcoming AGM namely Cik Sharifah Sofia Syed Mokhtar Shah, Datuk Idris Abdullah and Datuk Syed Muhamad Syed Abd Kadir. They shall retire accordingly and, being eligible, will offer themselves for re-election at the Company’s forthcoming AGM.

The performance and contribution of the Directors seeking re-election are considered and recommended by the BNRC before the names of these Directors are submitted and recommended by the Board to the shareholders for re-election into office. For the financial year in review, this was done through a Board assessment whereby Board members were required to conduct a peer assessment of other Directors in areas amongst others, his/her knowledge, skills, qualifications and contributions to Board discussions. The BNRC’s recommendations on the Directors standing for re-election at the forthcoming AGM are stated in Explanatory Note 2 under the Notice of the 13<sup>th</sup> AGM.

### c) Board Independence

IDs are expected to bring views and judgment to the Board deliberation and decision which are independent of Management and free of any business or other relationship that could or reasonably be perceived to materially interfere with the exercise of objective, unfettered or independent judgement, having regard to the best interest of the Company and its shareholders generally.

The Board reviews the interest declared by the Directors regularly and considers all business relationship between the Malakoff Group and the Directors or companies in which they are the directors or substantial shareholders. In each of this business relationship, the interested Directors will abstain from all deliberations and decisions on the proposal. The Board takes due consideration on any changes to the non-executive directors’ interest, position, associations or relationships that could affect the non-executive directors’ independence.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board conducts formal assessment on Directors' independence annually. The results of the independence assessment for IDs will be tabled at the Board for discussion. Prior to accepting any new director on Board, each new independent non-executive director ("**INED**") is required to declare his/her interests and relationship to the Board through the submission of an independence assessment form, which information will form the basis for the Board's consideration of accepting the ID to the Board.

The Board has reviewed the position and relationship of all Directors in office as at the date of the 2018 annual report and considered that all four INEDs fulfilled the independence criteria as IDs and are independent.

### III. BOARD MEETINGS

The Board convened nine meetings during the year, five of which are scheduled meeting and the other four are on ad hoc basis to consider urgent matters. Most of the Directors have full attendance to the Board meetings. The lowest attendance rate recorded for one director is 75%.

Details of each Director's attendance to the Board meetings held during the year are tabulated below:-

Name of Directors	No. of meetings attended
Datuk Haji Hasni Harun	9 of 9
Dato' Sri Che Khalib Mohamad Noh	9 of 9
Cindy Tan Ler Chin	8 of 9
Datuk Ooi Teik Huat	9 of 9
Datuk Dr. Syed Muhamad Syed Abdul Kadir	9 of 9
Datuk Idris Abdullah	9 of 9
Datuk Rozimi Remeli	8 of 9
Sharifah Sofia Syed Mokhtar Shah <i>(appointed on 23 May 2018)</i>	4 of 5
Kohei Hirao <i>(resigned on 23 May 2018)</i>	3 of 4
Datuk Seri Johan Abdullah <i>(resigned on 26 July 2018)</i>	5 of 6
Dato' Wan Kamaruzaman Wan Ahmad <i>(resigned on 31 October 2018)</i>	7 of 8

The Board is committed to meeting at least four times a year after the end of each financial quarter where the unaudited quarterly results will be reviewed and approved before releasing to Bursa Malaysia. Meeting dates for the whole year are scheduled in advance and circulated to the Directors before the commencement of each financial year to enable the Directors to plan in advance.

Every effort is made to ensure timely circulation of notices, agenda and meeting materials to the Board to provide sufficient time for the Directors to prepare for Board meetings and to facilitate effective Board discussion. All deliberations and decisions made at the Board meetings are recorded by the Company Secretaries where the minutes of meetings will be circulated to the Board for review before the minutes of meeting are confirmed at the next Board meeting.

#### IV. BNRC

The BNRC of Malakoff consists of four members with a majority being INEDs. The Chairman of the BNRC, Datuk Haji Hasni bin Harun, is an INED.

The BNRC held four meetings during the FY2018 to review the nomination and remuneration matters related to the Board and Management and make the necessary recommendations to the Board for approval. The BNRC's Chairman reports to the Board after each BNRC meeting.

The roles and responsibilities of BNRC are set out in its terms of reference which are available on the Company's website. The key activities of the BNRC during the FY2018 were summarised below:-

NOMINATING MATTERS
<b>Board composition and succession planning</b>
<ul style="list-style-type: none"> <li>• reviewed the size and composition of the Board and Board committees as well as the Board of the subsidiaries.</li> <li>• made recommendation on the composition of the Board of subsidiaries and appropriate nominees to represent MCB on the boards of these companies.</li> </ul>
<b>Recruitment/appointment of Directors</b>
<ul style="list-style-type: none"> <li>• reviewed the background, skills, expertise, knowledge and experience of the proposed candidates for appointment on the Board (Cik Sharifah Sofia Syed Mokhtar Shah) and the BAC (Datuk Rozimi Remeli) during FY2018 as well as on the BRIC (Datuk Rozimi Remeli) which took effect from the date of this Statement.</li> <li>• identify and evaluated candidacy of directors and made the necessary recommendations to the Board.</li> </ul>
<b>Nomination of new nominee on the subsidiaries/associate companies' Board</b>
<ul style="list-style-type: none"> <li>• reviewed the background, skills, expertise, knowledge and experience of the management team proposed by the CEO to be in the pool for nominee directors for selection to the Boards of Malakoff's local and offshore subsidiaries and associates.</li> <li>• evaluated the candidacy of directors to the Boards of local and offshore subsidiaries and associates and made the necessary recommendations to the Board.</li> </ul>
<b>Directors' retiring by rotation</b>
<ul style="list-style-type: none"> <li>• reviewed the performance of the Directors retiring by rotation and recommended to the Board on the re-election of directors.</li> <li>• one newly appointed Director and two NEDs are subject to retirement and re-election at this AGM.</li> <li>• recommended the re-election of directors based on the results of the peer review assessment on their performance on the Board for FY2018.</li> </ul>
<b>Board evaluation</b>
<ul style="list-style-type: none"> <li>• conducted the Board evaluation exercise in respect of the effectiveness of the Board and the Board committees for FY2018.</li> <li>• reviewed the results of the Board evaluation and proposed appropriate action plans to improve on areas of weaknesses and increase effectiveness of the Board.</li> <li>• reviewed the training needs of the Directors.</li> </ul>
<b>Organisation restructuring</b>
<ul style="list-style-type: none"> <li>• reviewed and recommended the organisation restructuring proposed by the CEO for the Board's approval.</li> </ul>



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

REMUNERATION MATTERS	
Remuneration of non-executive directors	
<ul style="list-style-type: none"> <li>no recommendation from the BNRC on the revision of remuneration package for the non-executive directors.</li> </ul>	
Remuneration for the Malakoff Group	
<ul style="list-style-type: none"> <li>recommended bonus pool for the Group based on the achievement of the Corporate KPIs.</li> <li>recommended salary increment and bonus quantum for the Group as well as the CEO and his target group.</li> </ul>	

### Non-Executive Director (“NED”) Remuneration Framework

The NEDs are remunerated through fixed monthly fees or allowances, meeting allowances and benefits-in-kind, such as annual leave passage and the reimbursement of business peripherals. The level of remuneration of NEDs reflects the current demanding challenges in discharging their fiduciary duties, roles and responsibilities, whether individually or collectively, as well as the complexity of the Company's operations and the industry and to also reflect the experience and level of responsibilities undertaken by the NEDs of Malakoff. The remuneration of NEDs shall not be based on commission, the percentage of profits, or turnover and it shall also not include commission based on the percentage of turnover.

Remuneration of each NED for the FY2018 is detailed below:

Directors	Directors' Fees	Board Committee Allowances	Meeting Allowances	Other Allowances <sup>a</sup>	Monetary Value of Benefits-in-Kind	Total
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
Datuk Haji Hasni Harun	360,000.00	36,000.00	38,000.00	25,000.00	38,945.52 <sup>b</sup>	497,945.52
Dato' Sri Che Khalib Mohamad Noh	90,000.00 <sup>c</sup>	24,000.00 <sup>c</sup>	38,000.00 <sup>c</sup>	24,889.75	-	176,889.75
Cindy Tan Ler Chin	90,000.00 <sup>d</sup>	24,000.00 <sup>d</sup>	45,500.00	25,000.00	-	184,500.00
Datuk Dr. Syed Muhamad Syed Abdul Kadir	90,000.00	96,000.00	63,000.00	4,673.40	-	253,673.40
Datuk Idris Abdullah	90,000.00	90,000.00	63,000.00	24,854.75	-	267,854.75
Datuk Ooi Teik Huat	90,000.00	30,000.00	53,000.00	25,000.00	-	198,000.00
Datuk Rozimi Remeli	90,000.00	24,435.49	49,500.00	-	-	163,935.49
Sharifah Sofia Syed Mokhtar Shah (Appointed on 23 May 2018)	54,677.00	-	12,500.00	-	-	67,177.00

Directors	Directors' Fees	Board Committee Allowances	Meeting Allowances	Other Allowances <sup>a</sup>	Monetary Value of Benefits-in-Kind	Total
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
<b>Former directors (resigned during the FY2018):</b>						
Dato' Wan Kamaruzaman Wan Ahmad (Resigned on 31 October 2018)	75,000.00	-	22,500.00	25,000.00	-	122,500.00
Kohei Hirao (resigned on 23 May 2018)	35,322.58	-	10,000.00	-	-	45,322.58
Datuk Seri Johan Abdullah (Resigned on 26 July 2018)	51,290.32	-	15,000.00	-	-	66,290.32
Zalman Ismail (Ceased as Alternate Director to Dato' Wan Kamaruzaman on 31 October 2018)	-	-	5,000.00 <sup>e</sup>	-	-	5,000.00
<b>Total for NED</b>	<b>1,116,289.90</b>	<b>324,435.49</b>	<b>415,000.00</b>	<b>154,417.90</b>	<b>38,945.52</b>	<b>2,049,088.81</b>

## Notes:

- Other allowances paid by Malakoff to the NEDs comprising annual leave passage & annual supplemental fees (included financial year 2017 ("FY2017") claims that were paid in FY2018)
- Benefits-in-kind paid to the Chairman of Malakoff comprising company car and reimbursement of petrol and utilities expenses
- Directors' fees, Board Committee allowances and meeting allowances are shared on an equal basis between MMC Corporation Berhad ("MMC") and the NED who is nominated by MMC.
- Directors' fees and Board Committee allowances are shared on an equal basis between Employees Provident Fund Board ("EPF") and the NED who is nominated by EPF.
- Meeting allowance was paid to the Alternate Director for his attendance at Board meetings in the absence of Dato' Wan Kamaruzaman Wan Ahmad.

The approval of shareholders on the remuneration and benefits payable to NEDs, with no increase in rates from last year, will be sought at the 13<sup>th</sup> AGM.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### V. BOARD EFFECTIVENESS

The Board through the BNRC had carried out a yearly Board assessment exercise to evaluate the overall effectiveness of the Board and individual Directors for FY2018. The Board had for the past 2 years engaged an external consultant to facilitate this exercise. For this year, this exercise was conducted internally by the Corporate Secretarial office.

The evaluation was carried out through the feedback obtained from each Board member who is required to 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 with a view to improve on areas identified by the Board to require more focus and have room for improvement. The BNRC, upon discussion of the results of the assessment, had presented the findings to the Board.

### VI. DIRECTORS' TRAINING

The Board is mindful of the importance of continuous education for its members to update their knowledge and enhance their skills so that they are sufficiently equipped to perform their duties and can address and meet the challenges faced by the Company and the Board.

During the year, the Board members attended an in-house training organised by MMC Corporation Berhad in respect of "Understanding Blockchain Technology and Its Potential". In addition, the Company Secretary circulates, on a period basis, regular updates on training programmes from various organisations to the Directors for their consideration for participation.

All Directors (during the financial year ended 31 December 2018) had attended at least one training session, in compliance with paragraph 15.08(2) and Appendix 9C (Part A, paragraph 28) of the MMLR of Bursa Malaysia. Details of the trainings attended by Board members are as follows:-

NAME OF DIRECTOR	CONFERENCE/TRAINING PROGRAMME ATTENDED	DATE
Datuk Haji Hasni Harun (Chairman)	• Malaysian Institute of Accountants ("MIA") International Accountants Conference 2018	9 – 10 October 2018
	• Energy Sector Outlook – presentation by RHB Research Institute	18 October 2018
	• Energy Transition: Trends and Opportunities - presentation by A.T. Kearney	18 October 2018
	• Remuneration Committee: Attracting and Retaining the Best Talents	13 November 2018

## VI. DIRECTORS' TRAINING (CONTINUED)

NAME OF DIRECTOR	CONFERENCE/TRAINING PROGRAMME ATTENDED	DATE
Dato' Sri Che Khalib Mohamad Noh	<ul style="list-style-type: none"> <li>• Invest Malaysia 2018 - Connecting Strengths, Advancing Performance</li> <li>• Talk by YBhg. Tan Sri Datuk Muhammad Ibrahim, Governor Bank Negara Malaysia @ 40th Harvard Business School Alumni Club of Malaysia Anniversary Dinner</li> <li>• Dialogue &amp; Luncheon Session with Malaysian Captains of Industry &amp; Business Forum with the China Entrepreneur Club in Beijing, China</li> <li>• Khazanah Megatrends Forum 2018 - On Balance: Recalibrating Markets, Firms, Society and People</li> <li>• MIA International Accountants Conference 2018</li> <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 Within the Context of MMC's Business Portfolio</li> <li>• Risk Culture Awareness Program</li> </ul>	<p>23 January 2018</p> <p>9 February 2018</p> <p>19 August 2018</p> <p>8 October 2018</p> <p>9 – 10 October 2018</p> <p>18 October 2018</p> <p>18 October 2018</p> <p>29 October 2018</p> <p>3 December 2018</p>
Cindy Tan Ler Chin	<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 Within the Context of MMC's Business Portfolio</li> </ul>	<p>18 October 2018</p> <p>18 October 2018</p> <p>29 October 2018</p>
Datuk Ooi Teik Huat	<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 Within the Context of MMC's Business Portfolio</li> </ul>	<p>18 October 2018</p> <p>18 October 2018</p> <p>29 October 2018</p>
Datuk Idris Abdullah	<ul style="list-style-type: none"> <li>• FinTech and the Transformation in Financial Services (an online non-credit course authorized by Copenhagen Business School and offered through Coursera)</li> <li>• Energy Sector Outlook – presentation by RHB Research Institute</li> <li>• Energy Transition: Trends and Opportunities - presentation by A.T. Kearney</li> <li>• Qualified Risk Director Program: Cybersecurity Oversight in the Boardroom</li> <li>• Executive Lecture Series by LSE Alumni Society of Malaysia-10 Years After the Global Financial Crisis: Lessons Learnt....or Forgotten?</li> </ul>	<p>5 September 2018</p> <p>18 October 2018</p> <p>18 October 2018</p> <p>22 October 2018</p> <p>12 November 2018</p>



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### VI. DIRECTORS' TRAINING (CONTINUED)

NAME OF DIRECTOR	CONFERENCE/TRAINING PROGRAMME ATTENDED	DATE
Datuk Dr. Syed Muhamad Syed Abdul Kadir	• Speaker for Leadership Talk in Universiti Malaya	9 February 2018
	• Overview of Sustainability Reporting	25 June 2018
	• Forum on Blockchain in Financial Services Industry	17 July 2018
	• Energy Sector Outlook – presentation by RHB Research Institute	18 October 2018
	• Energy Transition: Trends and Opportunities - presentation by A.T. Kearney	18 October 2018
	• Understanding Blockchain Technology and Its Potential Within the Context of MMC's Business Portfolio	29 October 2018
Datuk Rozimi Remeli	• Advocacy Programme on CG Assessment organized by Bursa Malaysia	10 August 2018
	• Energy Sector Outlook – presentation by RHB Research Institute	18 October 2018
	• Energy Transition: Trends and Opportunities - presentation by A.T. Kearney	18 October 2018
	• Understanding Blockchain Technology and Its Potential Within the Context of MMC's Business Portfolio	29 October 2018
Sharifah Sofia Syed Mokhtar Shah	• Enhancing Board Leadership	16 - 17 April 2018
	• Corporate Liability Provision organised by MIA	19 July 2018
	• Mandatory Accreditation Programme	23 - 24 July 2018
	• Understanding Blockchain Technology and Its Potential Within the Context of MMC's Business Portfolio	29 October 2018

#### Induction Programme

A comprehensive induction programme has been developed to ease new Directors into their new roles and to assist them in their understanding of the Group's business strategy and operational matters. New Directors are required to attend the induction programme as soon as possible after they are appointed. The induction programme includes the briefing by each division heads of key aspects of their respective sections and the challenges currently faced by the Group. As part of the itinerary of induction programme, the new Directors are invited to the Group's power plants to enable them to familiarise themselves with the operations of the Group.

### B. EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. BAC

The Board placed great emphasis on the effectiveness and independence of the BAC to provide additional assurance and oversight relating to financial reporting process, internal controls, risk management and governance for the Group due to the substantial amount of risk and compliance matters that may stem from the Group's operation in the highly regulated industry.

All of the members of the BAC are NEDs and three out of four of them are IDs. The BAC is chaired by Datuk Dr. Syed Muhamad Syed Abdul Kadir, an INED and not the Chairman of the Board. One of the BAC members is a member of the Malaysian Institute of Accountants thus fulfilling the requirement under paragraph 15.09(1)(c) (i) of the MMLR of Bursa Malaysia. Nevertheless, each of the BAC member is financially literate in accordance with the definition suggested by the Corporate Governance Guide 3<sup>rd</sup> Edition 2017 ("CG Guide").

Under the CG Guide, continuous development programmes have been recommended for BAC members in relation to four areas namely core functions, skills development, role and purpose of the audit committee and topical updates. During the financial year under review, the BAC members have attended trainings for their continuous professional development to keep themselves abreast of the relevant development in the industry which covered topics on cyber-security, energy transition, capital market and Islamic financing.

#### a) Assessment of External Auditors

The BAC performs an annually assessment of the services rendered by the External Auditors (“EA”) and had during the year assessed the quality of audit encompassing 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 input from each BAC member and the Management.

The independence of the EA is maintained through a non-audit services policy approved by the Board on 23 May 2017. Under this policy, approval of the BAC is required for the engagement of the Group’s EA for non-audit services, if the cumulative non-audit fees for the year reaches 50% of prior year’s audit fees (including the fees for limited quarterly review). During the financial year under review, KPMG had provided a written assurance to the BAC that they had been independent throughout the audit engagement for FY2018 in accordance with the terms of all relevant professional and regulatory requirements. The Management had also ensured that necessary safeguards were in place when engaging KPMG to carry out non-audit services for the Group.

Details on the BAC are also elaborated in the BAC Report on pages 110 to 114 of this Annual Report.

#### b) Internal Audit Function

The Group Internal Audit (“GIA”) was established to support the Board through the BAC in discharging its duties and governance responsibilities of maintaining a sound internal control system within the organization. The internal audit function is considered an integral part of the assurance framework and GIA’s mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. At the same time, GIA also assists the BAC and Management to achieve the Company’s goals and objectives by bringing a systematic and disciplined approach in evaluating and improving the effectiveness of governance, risk management and control processes within the Group.

GIA has an independent status within the Group and reports directly and functionally to the BAC and administratively to the CEO. GIA is also independent of the activities and functions that it audits and performs its duties in accordance with the Internal Audit Charter, as approved by the BAC, which establishes the framework for the effective and efficient functioning of GIA. The BAC also reviews and approves the appointment and removal of the Chief Internal Auditor, the Annual Internal Audit Plan, budget and organization structure of GIA to ensure that it is adequately resourced with competent staff to perform its role and function effectively.

The standards and practices adopted by GIA are aligned to the International Professional Practices Framework issued by the Institute of Internal Auditors. As at 31 December 2018, the total number of personnel in GIA was nine including the Chief Internal Auditor. The name, credential and work experience of the Chief Internal Auditor of GIA are disclosed on page 28 of this Annual Report.

Details of the internal audit function and activities are presented in the BAC Report on pages 113 to 114 of this Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

#### a) BRIC

With the appointment of a new member on 8 March 2019, the BRIC comprises four NEDs with a majority of IDs and chaired by an INED. The BRIC assists the Board to oversee the risk management activities of the Malakoff Group and to support the Board in fulfilling its responsibility for identifying significant risks and ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group.

Since the end of November 2016, the BRIC was delegated with additional responsibility to review and recommend investment proposals by the Management. Under this purview, the Board had given authority to the BRIC to review and recommend the Group's major investments which includes bidding for binding tenders/contracts for new power and water generation projects and assessing the key associate risks including funding options and costs as well as investment returns of such investment in accordance to the Group's Investment Guideline and Policy.

#### b) Risk Management and Internal Control Framework

The Board takes cognisance of its responsibilities in maintaining a sound risk management and internal control system. The Enterprise Risk Management Policy & Framework ("ERMPF") ensures a structured risk management process is adopted across the Group. The ERMPF incorporates process relating to the identification, analysis, evaluation, treatment, monitoring, review, communication and consultation of the Group's risks and controls.

The Board, which is responsible for the risk management and internal control governance, has delegated its responsibility to the BRIC. The BRIC reports to the Board on a quarterly basis and provide reasonable assurance that any adverse impact on the Group's objectives are mitigated and managed.

Details of the Company's risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control on pages 102 to 108 of this Annual Report.

### C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER

#### I. COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS OR INVESTORS

The Board always upholds the principle of providing timely and accurate information to its shareholders, investors and public at large for them to make an informed investment decision. It encourages continuous disclosure and communication of information to its stakeholders and facilitates information exchange platforms to support effective engagement of stakeholders by the Company.

In order to keep the Company's shareholder and stakeholders informed of the Group's development and performance, the Company provides the following mediums of communication between the Company and its shareholders or investors:

- 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, investor conferences 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.

This is essential to strengthen the relationship of the Company with the stakeholders in realising long-term values of the Company and enhancing shareholders' value.

Other than the above, Malakoff's website also serves as an important channel of communication to provide the shareholders, stakeholders and investors at large with a wide range of information about the Company and its activities including corporate information, company policies & procedures, history, strategies, important operational updates, media releases, investor presentations, shareholdings, quarterly and full year financial results, outcome of general meetings and sustainability practices. The information posted on the Company's website is regularly updated to ensure stakeholders and interested investors have access to the latest information of the Company.

The Board also believes that annual report is important to the shareholders and the market at large as it provides a comprehensive overview of the Company's financial performance, business activities, strategies, corporate social responsibility and other key activities. An electronic/digital form of the annual report together with a printed abridged version incorporating the summarised financial statements of the Company, notice of general meeting and the proxy form will be sent to the shareholders, whilst a full version of the annual report will be made available on the Company's website at [www.malakoff.com.my](http://www.malakoff.com.my) for access by the shareholders. The shareholders of the Company will be provided with a hard copy of the annual report, upon request. This will also prepare the shareholders with sufficient information to deliberate and approve the proposed resolutions tabled at the annual general meeting.

Other than the forum of general meeting, the Board through the Senior Management of the Company holds regular briefings with the investors to provide material development on the Company's business operations, corporate developments, growth strategies and, particularly, on the financial performance of the Company after the announcement of the quarterly results of the Group.

As part of the Company's efforts to continue promoting effective engagement with shareholders or the public at large, the Company has made available the relevant information for investors on the Company's corporate website at [www.malakoff.com.my](http://www.malakoff.com.my) under the Investor Relations section as well as for any investor-related enquiries to be posted to the Head of Investor Relations.

Further explanation on the Company's engagement with the shareholders and investors is set out in the Investor Relations section on page 15 of this Annual Report.

### **Integrated reporting based on a globally recognised framework**

The Company recognises that companies 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 this is the second year of practicing its sustainability reporting, the Company is 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.

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.

The Board in recognising the benefits having an integrated report which establish integrated thinking and reporting that is designed to support sustainable business and financial stability, the Company will continue to review and improve on various reporting documents within the Company.

## **II. GENERAL MEETINGS**

### **a) Shareholders participation at general meetings**

General meeting serves as a principal platform for direct two-way interaction between the Board/Senior Management and the shareholders which encourages effective shareholder communication on the Company's performance, corporate and business developments and any other matters affecting shareholder interests.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Since the 12<sup>th</sup> AGM of Malakoff, the Company Secretaries, by order of the Board, have practiced to serving a notice of AGM to all shareholders of the Company at least 28 days prior to the AGM to provide the shareholders sufficient time to consider the proposed resolutions that will be discussed and decided at the AGM. Notice of the AGM clearly sets out details of the resolutions proposed accompanying with explanatory notes on the rationale of each resolution to enable the shareholders to make informed decision in exercising their voting rights.

The standard proceedings adopted by the Company in its AGM would involve a brief overview by the Chairman of the Group's operations and performance for the year followed by a detailed briefing by the CEO to the shareholders present at the general meetings, before the meeting proceeded with the voting of the resolutions. Shareholders are encouraged to ask questions and make comment on the Group's operations and performance. Questions submitted in advance by the Minority Shareholder Watchdog Group and the Management's response to those questions will also be shared at the general meetings.

General meeting also serves as an avenue for the Chairman and the Board members to engage in a two-way communication with shareholders where the shareholders are encouraged to participate in the questions and answers session with the Board personally and exercise their right to vote on the proposed resolutions. The Board will ensure the presence of all Board members, particularly the chair of each Board committee, to facilitate the conversations with shareholders and to direct the questions and concerns raised by the shareholders. The external auditors are invited to the AGM to highlight key audit matters for the attention of the shareholders, response to shareholders' queries on the audit conducted, the preparation and content of the auditors' report, the accounting policies adopted by the Company and the independent audit review of the Company's financial position.

The facility for voting in absentia is not available as the Board considers the venue of the AGM is accessible with good transportation network. 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.

### b) Poll voting

Since the enforcement of paragraph 8.29A of the MMLR of Bursa Malaysia on 1 July 2016, all resolutions set out in the notice of general meeting have put to vote by way of polling at the general meeting. This could be seen at the last AGMs and EGMs held during the past two years where electronic voting via handheld device and polling station were used for voting of resolutions at the Company's AGMs and EGMs. An independent scrutineer, who is not the officer of the Company or its related corporation and independent of the person undertaking the polling process, was appointed to validate the polling process as well as the votes cast at the said general meetings. The outcome of voting on the proposed resolutions will be announced by the Chairman at the general meeting and released via Bursa Link to the public at large thereafter. A copy of the said announcement will also be uploaded to the Company's website after the general meeting.

## III. CONSTITUTION OF THE COMPANY

The Company's Constitution defines the essential components of the structure of the Company and reins the relationship between the Company and its shareholders/stakeholders. It regulates the manner in which a company is governed.

With the introduction of the new Act on 31 January 2017, the Board is mindful of the changes of the new Act that would have to be reflected or updated in the Company's existing Constitution. The Board has reviewed the new Constitution for Malakoff and will seek the approval of the shareholders at the 13<sup>th</sup> AGM to adopt the new Company's Constitution pursuant to the new provisions of the Act.

## D. KEY FOCUS AREAS AND FUTURE PRIORITIES

With the Company embarking into a new synergistic business in 2018, the Board will continue to refine its corporate governance practices and procedures throughout the whole Group to ensure all the existing and new businesses of the Group are operated in an orderly manner and in the best interest of all stakeholders of Malakoff.

To further enhance the Group's capability to compete in this challenging business environment, the Board will also prioritise its succession plan to establish a bigger pool of talents from which the new candidates will be assessed and identified to take on the senior positions in the Group.

## **CORPORATE GOVERNANCE REPORT**

The Corporate Governance report as prescribed by Bursa Malaysia for the application of each practice set out in the MCCG 2017 can be downloaded from the Company's website.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

*(Pursuant to paragraph 15.26(a) of the MMLR of Bursa Malaysia)*

The Board has given its assurance that the financial statements are prepared in accordance with the Act and the applicable approved accounting standards for each financial year which gives a true and fair view of the state of affairs of the Group and the Company in a transparent manner at the end of the financial year and of the results and cash flows for the financial year.

The Directors' Report for the audited financial statements of the Company and the Group is outlined on pages 118 to 122 of this Annual Report together with the details of the Company and the Group financial statements for the financial year ended 31 December 2018 which are set out on page 123 to 236 of this Annual Report.

### **COMPLIANCE STATEMENT BY THE BOARD ON THE CORPORATE GOVERNANCE OVERVIEW STATEMENT**

This statement on the Company's corporate governance practices is made in compliance with paragraph 15.25 and 15.08A of the MMLR of Bursa Malaysia.

Having reviewed and deliberated this statement, the Board is satisfied that to the best of its knowledge, the Company is substantially in compliance with the principles and practices set out in the MCCG 2017 as well as the relevant paragraphs under the MMLR of Bursa Malaysia for the financial year under review. Any practices in the MCCG 2017 which have not been implemented during the financial year will be reviewed by the Board and be implemented where possible and where relevant to the Group's business.

This statement has been presented and approved by the Board at its meeting held on 8 March 2019.