

CORPORATE GOVERNANCE STATEMENT

The Board of Malakoff Corporation Berhad ("Malakoff" or "the Company") continues to take cognisance of the Malaysian Code of Corporate Governance 2012 ("MCCG 2012") issued by the Securities Commission Malaysia, and is committed, where possible, having regard to the size and ownership of the Company, to achieving and sustaining high standards of corporate governance and compliance with all the MCCG 2012's best practice recommendations.

The Company's framework of corporate governance is also guided by and based on the corporate governance requirements of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and its Corporate Governance Guide: Towards Boardroom Excellence, 2nd Edition.

This Statement outlines the main corporate governance practices applied currently by the Company and its subsidiaries ("the Group" or "the Malakoff Group") and some new governance practices adopted during the year and its efforts in demonstrating good corporate citizenship through environmental awareness, ethical behaviour and sound corporate governance practices to balance the interests of all stakeholders, including its shareholders, management, customers, suppliers, business associates, regulatory bodies and the community. The Board, having approved the Corporate Governance Statement on 7 March 2017, wishes to report that since the Company which is in its 2nd year of obtaining its listing status on the Main Market of Bursa Malaysia on 15 May 2015, the Group has followed, where possible, the recommendations of the MCCG 2012.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

(Principle 1 of the MCCG 2012)

Recommendation 1.1 - The board should establish clear functions reserved for the board and those delegated to management.

Recommendation 1.7 - The board should formalise, periodically review and make public its board charter.

a) Board Charter

The Board Charter clearly sets out the functions, responsibilities, and processes of the Board and ensures that Board members are aware of their roles and duties. This is pivotal to leading and managing the Group as a responsible and trusted leading independent power producer in the nation, as well as essential for realising long-term shareholder value.

The main task of the Board is to oversee the overall strategy and business direction of the Group in line with the Company's vision and mission and to serve the best interests of the Company and its stakeholders. In order to ensure the continuous relevance of the Board Charter, the Board conducts periodic reviews of the Board Charter, when necessary. The Board Charter, which is available on the Company's website, is subject to periodic reviews and updates to ensure its relevance and compliance with regulatory requirements.

b) Limits of Authority

Whilst the Board Charter sets out the roles, duties, responsibilities and function of the Board, the Limits of Authority of the Group further defines the matters specifically reserved for the Board and those delegated to the management. There are key matters which have been reserved by the Board for its deliberation and decision to ensure that the direction and control of the Group's businesses are within its control. These include amongst others, the following:

- adoption of an annual business plan and a budget forecast for four successive years thereafter;
- material acquisition and disposal or closure of businesses;
- establishment and development of new businesses via bidding exercises for new power generation and/or water desalination business locally and overseas, as the case may be;

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- material capital investment for the Group;
- declaration of dividends and approval of financial statements, including accounting policies of the Group;
- financing of the Group's activities; and
- any corporate restructuring of the Group.

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

Recommendation 1.2 - The board should establish clear roles and responsibilities in discharging its fiduciary and leadership functions.

- **Principal Responsibilities and Functions of the Board**

The Board's principal responsibilities are to provide guidance to the management with regard to the Group's strategic planning, business conduct, risk assessment and management, as well as financial and operational management activities. The Board continues to provide counsel on strategic matters such as investment and divestment policy and human resource matters such as succession planning, as well with reviewing the adequacy and integrity of the Group's system of internal control and its management information system.

The Board's primary responsibilities set out below are in line with the best practices of the MCCG 2012: -

- (i) to review and adopt a strategic plan for the Group;
 - (ii) to oversee the conduct of the Group's businesses to evaluate whether the businesses are being properly managed;
 - (iii) to identify principal risks and ensure the implementation of appropriate systems to manage these risks;
 - (iv) to implement succession planning, including appointing, training, fixing the compensation of, and where appropriate, replacing key management;
 - (v) to develop and implement an investor relations programme or shareholders' communications policy for the Company;
 - (vi) to review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines;
 - (vii) to formalise ethical standards through a code of conduct and by ensuring compliance; and
 - (viii) to ensure that the Company's strategies promote sustainability.
- **Reviewing and adopting a strategic plan for the Company**

The Board annually reviews with the management and approves the five-year business plan prepared by it with accompanying short term and long term strategies to achieve the targets set under the business plan. The Board also approves the corporate key performance indicators ("KPIs") with specific and quantifiable targets to ensure our Executive Director, the Group Managing Directors ("GMD") and his management team achieve the key things that the Board wishes the management to focus on so that the budget set for the year is met. The Board achieves this through assigning weightages to each key result areas of the KPIs to guide the management on where its focus and resources should be invested in, to bring to realisation the targets set in the business plan. For the year 2017, the financials targets and the execution of business plans to increase the profitability of the Group continues to carry the highest weightage for the Corporate KPIs followed by internal process and business growth, both intended to support the financial targets set in the business plan. The GMD and his senior management team will be remunerated based on their achievements in relation to the targets set out in the Corporate KPIs.

The Board and management undergoes a rigorous and thorough process of setting the business plan against the capital structure of the Group. An offsite meeting will annually be held as part of the business plan cycle. In this meeting, renowned speakers on key areas relating the business plan are invited to inform both the Board and the management on recent market trends and how some of these market trends could be included as part of the Company's business plan. The offsite meeting also provides a platform for an informal dialogue session between the management and the Board on the concept of the business plan for the forthcoming years. This informal session had been successful in enabling a brainstorming session between the management and the Board in an environment outside the boardroom

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where fresh ideas and perspectives are best found. The key takeaways from the session were used by the management to develop the Group's strategies and business plans for 2017.

- **Overseeing the conduct of the Company's business**

The newly appointed GMD, a board representation in the management, is responsible for managing the day-to-day operations of the Company and implementing the Group's strategies and policies approved by the Board. He is well supported by his team of experienced senior management who is knowledgeable, possess vast and in-depth knowledge of the industry, and are subject matter experts in their respective areas of responsibility.

Apart from the scheduled Board meetings, the Board is kept continually updated on the business conduct of the Company with the circulation of the monthly financial, operations reports and minutes of the management meeting. These circulations ensure that the Board is regularly updated with key initiatives by the management in implementing the business plan approved by it, operational performances of the Group both locally and abroad and the progress of key issues affecting the operations of the Group.

- **Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures**

The management risk committee ("MRC") assists the Board Risk and Investment Committee ("BRIC") in overseeing the establishment, implementation and effectiveness of the risk management system. These bodies meet quarterly and the MRC would report to the BRIC on significant strategic and operational risks, which pose significant impact to the profitability of the Company and the mitigation action plans proposed to be taken to reduce such risks to the businesses of the Group before recommendations are put forth to the Board.

The BRIC on behalf of the Board, reviews risk management policies/practices, reviews periodic reports on risk management and makes relevant recommendations to the Board for its approval.

Details of the BRIC and the risk management framework are set out in pages 102 to 107 the Statement of Risk Management and Internal Control of this Integrated Annual Report.

- **Succession planning**

The Board through the BNRC continues to recognise that succession planning is key in ensuring continuity of business and that at any point in time there is ready talent to undertake key and business critical positions across the Company especially at the senior management level. Since last year, the Board had approved specific milestones on succession planning and talent management, which are to be achieved over a 3-year horizon under the Corporate KPIs. For 2016, the Company had successfully achieved its milestone in identifying immediate successors to key critical functions of the Group and to develop comprehensive Development Programs for these successors after completion of a gap analysis exercise.

For 2017, the Company is to identify potential successor's one level below the immediate successor for endorsement and approval of the talent management committee ("TMC"). Upon receiving endorsement of the TMC, a gap analysis will be carried out so that comprehensive Development Programmes could be developed for these successors to prepare them for the position. One of the strategies employed by the Company in increasing the number of internal successors is the development and implementation of succession plans for leadership positions. These key critical positions are identified and monitored through leadership development programmes, job rotation and other activities deemed appropriate. For talent management, the Company adopts an eclectic approach, which includes formal training, job assignments, stretched assignments, cross-divisional projects and active coaching and mentoring.

- **Overseeing the development and implementation of a shareholder's communications policy for the Company**

Malakoff's Investor Relations ("IR") Policy acts as the guiding principle for IR functions, assisting effective communication between the Management and the financial community, locally and abroad. The details on MCB's IR functions and its activities for the financial year are provided in this Statement of Corporate Governance under Principle 8: Strengthen Relationship between Company and Shareholders.

Malakoff strives and will continue to maintain the highest standards of corporate disclosure by disseminating accurate, consistent and in a transparent manner to its stakeholders on a timely basis. In meeting this end, the Board had adopted a Corporate Disclosure Policies and Guidelines ("CDP") to ensure

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that the above standards are consistently applied across the organisation for all of its communication to stakeholders and the public at large. The CDP provide a systematic guide to the management and employees of the Company on how disclosure of material information and corporate proposals of the Group are provided in a comprehensive, accurate and timely manner to regulators, shareholders and stakeholders, in line with the provisions of the Corporate Disclosure Guides issued by Bursa Malaysia. Specific spokespersons in Malakoff had also been identified in the CDP to address the shareholders and other stakeholders of the Company at different situations and forums.

- **Reviewing the adequacy and the integrity of the management information and internal controls system of the company**

The Board is responsible for ensuring that a sound reporting framework of internal controls and regulatory compliance is in place throughout the Company. Details of the Company's internal control system and its effectiveness are provided in the Statement of Risk Management and Internal Control in this Integrated Annual Report.

Recommendation 1.3 - The board should formalise ethical standards through a code of conduct and ensure its compliance

- **Codes and Policies**

- (i) **Code of Conduct**

The Code of Conduct ("COC") which came into effect on 1 January 2016, outlines the Group's commitment to appropriate and ethical practices. It includes general principles on business integrity. All employees of the Group are guided by the COC that sets out the principles, practices and standards of good personal and corporate behaviour. Failure to comply with the COC tantamount to a serious breach and the appropriate actions will be taken by the Company for any non-compliance.

- (ii) **Whistleblowing Policy**

The Board had also approved and adopted a Whistleblowing Policy to provide avenue of communication by employees of any unethical practices such as violation of laws, rules, regulations, production fault, fraud, safety violations or corruption within their work areas, for further investigation of the management and if required, the Board.

The Board recognises that such misconduct are usually recognised first by the people closer to the workplace who could assist the management and Board as their agents to alert them of any malpractices which are occurring within the organisation by using the Whistleblowing Policy. This policy also serves as an early warning system to help the Company detect any wrongdoings and provides an avenue for employees to make good-faith reports on unlawful, unethical or unacceptable behaviour or conduct without fear of reprisal. The identity of the whistle-blower and the concerns raised are treated with utmost confidentiality. The management is then able to take the appropriate corrective actions before a problem escalates into a crisis.

Recommendation 1.4 - The Board should ensure that the Company's strategies promote sustainability.

- **Promoting Sustainability**

The Board is committed to promoting sustainability practices in the Group and to maintaining a good balance in relation to the environmental, social and governance aspects of the Group's businesses. A report of the Company's Sustainability Reporting are set out in pages 86 to 101 of this Annual Report.

Recommendation 1.5 - The Board should have procedures to allow its members access to information and advice.

- **Access to Information and Advice**

In order to discharge its duties and responsibilities, the Board receives accurate, timely and clear information through the GMD and Company Secretary, under the direction of the Chairman. In addition to engaging the management for information, it has the opportunity to request for supplementary or explanatory information from the management. The management also provides periodic updates on key issues, which require the Board's close attention through electronic mail updates from the Company Secretary.

The GMD also informs the Board on key updates of strategies undertaken by the management in fulfilling the approved business plan by the Board as well as key operational initiatives on a monthly basis via the circulation of the Company's management minutes and information memoranda issued by the GMD.

The healthy and balanced information flow between the management and the Board outside the periodic Board

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meetings has brought the Board members nearer to operations of the Group, provide clearer understanding and grasp of key issues faced by local and overseas investments of the Group, thus facilitating effective and constructive discussion and ultimately achieving quality decisions at board meetings.

Status updates on matters reported in the last Board meeting will be updated as part of matters arising from the previous meeting and has been fixed item on the agenda of scheduled Board meetings throughout the year. The Board members are also able to meet management on a one to one basis upon request on clarification of key issues of the Group.

From time to time, whenever the Board requires relevant information updates from any members of the management team, the relevant member of the management team is invited to attend meetings of the Board and its committees to provide the Board with any such relevant information or updates.

The Board in ensuring that independent judgement and constructive debate on all issues under consideration are taken in its decision making, has the right collectively and individually to obtain external independent legal, accounting or other professional advice at the Company's expense to assist with its decision-making process.

Recommendation 1.6 - The Board should ensure it is supported by a suitably qualified and competent company secretary.

- **Company Secretary**

The Board have unrestricted access to the advice and services of the Company Secretary who is under the direction of the Chairman, to enable them to discharge their duties effectively. The Company Secretary, who is qualified, experienced and competent, advises the Board on updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of the Directors, their impact and implication to the Company, including fiduciary duties and responsibilities. The Company Secretary is responsible for monitoring compliance with the Board procedures and for advising the Board through the Chairman on all governance matters.

The Company Secretary also coordinates the induction of new Directors with the management and facilitate for the professional development of all Directors on

an ongoing basis by identifying suitable development programmes for Directors in discharging their roles

The Company Secretary organises and attends all Board and Board committee meetings as well as ensures meetings are properly convened. This include the recording of accurate and proper records of the proceedings and resolutions passed and maintenance of such records accordingly at the registered office of the Company and produced for inspection if required. The removal of the Company Secretary is a matter for the Board to decide.

2. STRENGTHEN COMPOSITION

(Principle 2 of the MCGG 2012)

Recommendation 2.1

The board should establish a Nominating Committee which should comprise exclusively of non-executive directors, a majority of whom must be independent

Recommendation 2.2

The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.

The Board Nomination and Remuneration Committee ("BNRC") was constituted as a merged committee of the nominating and remuneration committee of the Board on 23 November 2015 and operates under its terms of reference.

Under its terms of reference, the BNRC shall comprise at least three members whom are Non-Executive Directors, the majority of whom shall be Independent Directors. The Chairman of the Committee must be an Independent Non-Executive Director, and where a Senior Independent Non-Executive Director position exists, the Senior Independent Non-Executive Director shall assume the position of Chairman of the Committee.

The BNRC is chaired by YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, the Chairman of the Company and an Independent Non-Executive Director, with the support of three other Non-Executive Directors, two of whom are independent. The majority of the BNRC members are independent directors.

- **Senior Independent Non-Executive Director**

The commentary to Recommendation 2.1 of the MCGG 2012 proposes that the chair of the nominating committee should be the Senior Independent Director identified by the Board. The main role of the Senior Independent Director is

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to act as a sounding board for the Chairman. If the Board is undergoing a period of stress, and/or there is a perceived conflict of interest involving the Chairman, the Senior Independent Director is expected to provide leadership and advice to the Board. The Senior Independent Director can also be the focal point to whom the concerns of the stakeholders and shareholders of the Company can be conveyed.

The Board of the Company had deliberated and decided that the appointment of a Senior Independent Director is not required since the Chairman of the Board is already an Independent Director. The Board will review from time to time on the need to appoint a Senior Independent, Non-Executive Director and for this year had continued with this decision, as the Chairman of the Company has been effective in carrying out this role.

The key activities of the BNRC during the year encompassing selection and assessment of directors, criteria used in the recruitment process and annual assessment of directors and the formal and transparent remuneration policies and procedures to attract and retain directors are detailed in page 70 to 71 of this report.

- **Board Balance and Composition**

The Company is led by an experienced and dynamic Board, which is chaired by an Independent Non-Executive Director. The Board composition had increased by one from last year, to eleven Directors with the appointment of our GMD effective 1 May 2016. All of the members of the Board with the exception of the GMD are Non-Executive Directors. Of this number, four Directors are Independent Directors from the previous five Directors last year as Mr. Hiraō Kohei was redesignated to a non-independent director following his appointment as the senior advisor to the Albukhary Group, whilst there are seven Non-Independent Directors with one holding an executive position. The composition of four Independent Directors meets Bursa Malaysia's requirement where at least two Directors, or one-third of the Board members, whichever is higher, to be independent.

The size of and diverse personalities on the Board continues to enable the Board to effectively discharge its duties and responsibilities to meet the Company's scope of businesses. Malakoff have presence in both the local front as well as its overseas investments abroad. The Board also has the right balance of members where the interests of the major shareholders of the Company are adequately represented whilst the presence of more than one-third ratio of Independent Directors on the Board will ensure that

the best interests of the minority shareholders are being served.

The Board comprises members with a good mix of skills, knowledge and attributes as they come from diverse academic and educational backgrounds and possess extensive experience and expertise in areas important to the Group such as accounting, business, corporate strategy, law, engineering, financial planning and corporate governance experience which are relevant to meet the complexities of the Group's businesses. The profile of each Director is set out in pages 19 to 29 of this Annual Report.

The Non-Executive Directors bring to the Board their invaluable knowledge and business insights to ensuring that all strategies proposed by the management are fully deliberated on and considered in line with long-term interests of the Group as well as its shareholders and stakeholders. The Board constitutes majority Non-Executive Directors who are committed to business integrity and professionalism in all their activities. The Non-Executive Directors do not participate in the day-to-day management of the Group and do not personally engage in any business dealings or other relationship with the Group. This is to ensure that they are capable of exercising judgment objectively whilst acting in the best interests of the Group, its stakeholders and shareholders, including minority shareholders. The Board has specific functions reserved for the Board and those delegated to the management to enhance accountability.

The presence of Independent Non-Executive Directors has encouraged independent judgement, evaluation and scrutiny in relation to decisions taken by the Board. The impartiality of these Directors, also contribute significantly to the decision making process. These members of the Board have no personal interest or ties to the Group that could adversely affect their independence and objective judgment of the Board. In upholding independence which ensures objectivity and fairness in the Board's decision making process, the Board undertakes an annual assessment of all the Directors by evaluating the manner in which each Director has discharged their duties and how they have deliberated the Company's proposals in compliance with Recommendation 3.1 of the MCCG 2012.

Datuk Wira Azhar Abdul Hamid, who was appointed as the Company's GMD during the year, had enabled the Board's views to be represented in the management. He has led and steered his senior management team to the strategic direction in which the Board had decided for the Company

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to pursue. The GMD sets the tone of the Board in the day-to-day operations of the Company.

As Malakoff journeys into the next stage of aggressive expansion, the Board strongly believes that with the GMD's extensive knowledge and experience in conglomerate business, he will bring about the right changes in culture and mindset of its employees and to equip them to achieve the targets set by the Board in ensuring a sustainable future of Malakoff.

- **Re-election and Re-appointment of Directors**

The Company's Articles of Association mandates that all Directors should submit themselves for re-election at least once every three years, in compliance with the requirements of Bursa Malaysia. The Articles of Association 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"). In this respect, four directors will be retiring at the forthcoming AGM, namely Datuk Muhamad Noor Hamid, Tan Sri Dato' Seri Alauddin Dato' Mohd Sheriff, Datuk Ooi Teik Huat and Dato' Wan Kamaruzaman Wan Ahmad. 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 to be 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 conducted by the Board whereby Board members were required to conduct a peer assessment of other Directors in areas pertaining to his/her knowledge, skills, qualifications and contributions to Board discussions, to name a few. The BNRC's recommendations on the Directors standing for re-election at the forthcoming AGM are stated in the Explanatory Note 2 under the Notice of AGM.

Under the recently enacted Companies Act 2016, the age limit of the director has been removed. Therefore, previous age limit of directors who shall cease to be a director at the age of 70 is no longer applicable.

- **Diversity**

The Board in acknowledging the importance of diversity as an essential measure of good corporate governance and a critical attribute of a well-functioning board had adopted

a diversity policy on 21 November 2016. Diversified views enhance Board discussions and ensure that the decisions of the Board were considered from all points of view. The Board acknowledges that diversity presents itself in a number of forms, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The diversity policy covers gender, age and ethnic diversity which will be a recipe for a dynamic Board as follows:-

a) Gender diversity

The Company does not set any specific target for female directors in the Board but will work towards having more female directors on the Board, if the opportunity arises.

The Company is committed to maintaining an environment of respect for people regardless of their gender in all business dealings and achieving a workplace environment free of harassment and discrimination on the basis of gender, physical or mental state, ethnicity, nationality, religion, age or family status. The same principle is applied to the selection of potential candidates for appointment to the Board in order to attract and retain women participation on the Board.

b) Age diversity

The Company does not set any specific target for the boardroom age diversity but will work towards having appropriate age diversity in the Board, if the opportunity arises.

The Company does not fix age limit for its Directors given that such Directors are normally reputed and experienced in the corporate world and could continue to contribute to the Board in steering the Company. The Board is fully committed to promoting age diversity, valuing the contribution of its members regardless of age, and seek to eliminate age stereotyping and discrimination on age.

c) Ethnic diversity

The Company does not set any specific target for ethnic diversity in the boardroom but will work towards having appropriate ethnic diversity in the Board, if the opportunity arises.

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The BNRC is responsible in ensuring that boardroom diversity objectives are adopted in board recruitment, board performance evaluation and succession planning processes.

Currently, Madam Cindy Tan Ler Chin, the Nominee Director of the Employees Provident Fund on the Board is the only female member of the 11 member Board, whilst Mr. Kohei Hirao, a Japanese national, fulfils the ethnicity and cultural diversity requirements for Board members. The BNRC is committed to take into account and consider diversity whenever there is need to replace Board members or when a vacancy arises.

- **Board Assessment Evaluation**

The Board through the BNRC carry out a Board assessment exercise to assess the appropriateness of the size and composition of the current Board and Board committees, as well as the effectiveness of each of these committees and the Board as a whole vide feedback from the Board members. This is necessary as the members of the Board and Board committees were appointed/ constituted prior to the listing of the Company, save for the BNRC which committee members were restructured during the year to more optimum size of 4 from the previous 6.

Through the assessments and recommendations made by the BNRC, the Board is of the opinion that the current size and composition of the Board and Board committees are conducive to making appropriate decisions and allow for a diversity of perspectives and skills in order to represent the best interests of the Company as a whole.

- **Board Committees**

Under the Company's Articles of Association, the Board has, amongst other things, the power to establish any committee for managing any of the affairs of the Company and may lay down, vary or annul such rules and regulations as it thinks fit for the conduct of the business thereof.

The Board currently has the following four standing Board committees, each of which is operating within their respective defined terms of reference that are approved by the Board to assist it in discharging its responsibilities.

- (i) Board Audit Committee ("BAC");
- (ii) Board Nomination and Remuneration Committee ("BNRC");
- (iii) Board Risk and Investment Committee ("BRIC");
- (iv) Board Procurement Committee ("BPC")

The report on the proceedings of the committees meetings, its recommendations, and activities are submitted to the Board by the Chairman of each these Board committees at each of the scheduled Board meetings for the Board's evaluation and consideration. This ensures that each of the Director are informed of the decisions made including views/comments raised. Ultimately, the final decision on the matters deliberated at the Board committees rest entirely with the Board. The only exception is the BPC, where this Committee has been granted limited powers and authority to review and approve material procurements for the Group at certain thresholds, depending on the type of procurements. The terms of reference of the BPC are detailed herein.

All deliberations and recommendations must be minuted and approved by each Board Committee and confirmed by the Chairman of each Board Committee at their respective Board Committee meetings.

The Board through the annual board assessment exercise had also assessed the effectiveness of each standing Board Committee for the Financial Year. The Board had unanimously agreed that each Board Committee has discharged its roles and responsibilities effectively as guided by its respective TOR.

- (i) **BAC**

Details on the BAC are elaborated in the Audit Committee Report which appears on pages 108 to 114 of this Annual Report.

- ii) **BNRC**

One of the objectives of the BNRC is to assist the Board in fulfilling its corporate governance responsibilities with regard to nomination and remuneration matters of the Board and the Senior Management of the Company.

The BNRC, under its terms of reference, is required to develop, review and recommend to the Board, the Policy on Board Composition, having regard to the mix of skills, knowledge, experience, expertise,

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independence and diversity (including gender, ethnicity and age) and other qualities required to facilitate effective and efficient functioning of the Board, including core competencies which the Non-Executive Directors should bring to the Board, and to annually review the same.

- Although there is no written policy with regard to the Board composition within the organisation, the Board through the BNRC always considers the above factors when it consider new appointments to the Board and when it annually assesses its Board composition in line with the needs and requirements of the operations of the Company.

The BNRC is also responsible to recommend the candidates for the Directors, the Executive Directors (if any) and the Senior Management of the Group by considering the prospective Director, Executive Director and Senior Management's character, experience, competence, integrity and time commitment, as prescribed by Paragraph 2.20A of the MMLR.

- **Summary of Key Activities**

The BNRC held six meetings during the financial year under review, where it had considered and recommended the following matters under its purview for approval of the Board:-

- Recommended the appointment of our Executive Director, the GMD and his remuneration package;
- Recommended a variable pay plan design which pre-set the expected targets required in the Key performance indicators for the accord of bonus to employees of the Company;
- Recommended the nomination of suitable senior and middle management staff to represent the Company as its nominee on the Boards of its local and overseas subsidiaries and associates;
- Recommended a new protocol for acceptance of new directorship by our directors in other public listed companies pursuant to the Recommendation 4.1 of the MCG 2012. The new protocol will set out the expectation on time commitment of the Board members and protocols of accepting new directorships.
- Recommended the changes in the employment benefits for employees of the Group for purpose of enhancing certain benefits of employees as well as to remove or reduce other benefits that were currently no longer in practice.

- Recommended the assessment tool and approach for the Board assessment in respect of the performance of the Board, individual directors and board committees for the period from January to December 2016. This assessment includes among other elements, the following:

- √ review and assessment of the annual performance and effectiveness of the Board and the board committees as a whole;
- √ review and assessment of the performance and composition of the board committees;
- √ review and assessment of the annual independence assessment of the Independent Directors; and
- √ review and assessment of the performance of Directors and to make recommendations to the Board with regard to the Directors who are seeking re-election, re-appointment and continuation in office at the Annual General Meeting ("AGM");

- Recommended the Corporate KPI achievements for the GMD for the FY 2017;
- Recommended the Board Diversity Policy for Malakoff Group.

Through its annual assessment and recommendations of the BNRC, the Board believes that the current size and composition of the Board is conducive to making appropriate decisions and incorporates a diversity of perspectives and skills in order to represent the best interest of the Company as a whole. The annual assessment has also been successful in identifying the area of improvements of directors, through self and peer review. The directors will be sent to the appropriate developmental programmes and workshops on their request. This ongoing learning and developmental process by the directors will enhance and equip the directors with the right skills and knowledge in contributing to the Board discussions and decision making.

Recommendation 2.3

The board should establish formal and transparent remuneration policies and procedures to attract and retain directors.

- **Directors' Remuneration**

The Board, through the BNRC, establishes a formal and transparent policies and procedure for the development of a remuneration policy for the directors of the Company and its Group, board committees, GMD, and the senior

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management. The BNRC also establishes an objective remuneration structure for directors of the Company and the Group, GMD and the Senior Management and to provide recommendations to the Board on the remuneration of the Board of the Company and the Group, GMD and the Senior Management.

The BNRC reviews the overall remuneration policy of the Non-Executive Directors, GMD and Senior Management. The remuneration policy aims to attract, retain and motivate executives and Directors who will create sustainable value and returns for the Company's members and other stakeholders. There is a clear distinction between the remuneration structure of the Non-Executive Directors and of the GMD and the Senior Management.

The recommendation of remuneration for the directors of the Company and the Group and the Senior Management of the Company to the Board, shall be based on the following considerations:-

- (i) Levels of remuneration structure are sufficient to attract and retain the individuals needed to run the Company successfully at the Board as well as the senior management levels;
- (ii) Links rewards to both the Company and individual performances, responsibilities, expertise and complexity of the company's activities;
- (iii) Aligns the interests of directors, Senior Management and our stakeholders with the business strategy and long-term objectives of our Company;
- (iv) Is based on information obtained

- **GMD**

The remuneration package for the GMD is structured to link rewards to corporate and individual performance. It comprises a salary, allowances, bonuses and other customary benefits as accorded by comparable companies. The GMD's bonuses is determined by performance during the year against individual KPIs in a scorecard aligned with the corporate objective as approved by the Board. The GMD recuses himself from deliberation and voting on his remuneration at Board meetings. The BNRC reviews the performance of the GMD annually and submits its views/recommendations to the Board on adjustments in remuneration and/or rewards to reflect the GMD contributions towards the Group's achievements for the year

- **Non-Executive Directors ("NEDs")**

The Board as a whole shall determine and recommend the remuneration of the NEDs for shareholders' approval at the AGM. The NEDs are remunerated through fixed monthly fees, 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 as well as to reflect the experience and level of responsibilities undertaken by the NEDs concerned. Their remuneration packages are benchmarked against the market once every three years to ensure that their remuneration packages remain competitive and relevant. 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.

A review of the fees for NEDs should also take into account fee levels and trends of similar positions in the market and time commitment required from the director (estimated number of days per year) as well as any additional responsibilities undertaken such as a director acting as board chairman or as chairman of a board committee.

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Details of each directors' remuneration for the financial year ended 31 December 2016 are set out below:

GROUP MANAGING DIRECTOR ("GMD") (EXECUTIVE DIRECTOR) ("ED")									
Name of Director	Salaries* (RM)	Other Allowances* (RM)	Other Emoluments* (RM)		Meeting Allowances for Board and Board Committees (RM)		Estimated Monetary Value of Benefits-in-Kind (RM)	Total (RM)	
			Company	Subsidiaries	Company	Subsidiaries		Company	Subsidiaries
Datuk Wira Azhar bin Abdul Hamid	1,000,000	33,334	73,832	-	-	-	-	1,107,166	-
Sub-total for ED	1,000,000	33,334	73,832	-	-	-	-	1,107,166	-
<i>*Salaries, other emoluments and allowances are paid to the GMD as per his employment remuneration package.</i>									
NON-EXECUTIVE DIRECTORS ("NED")									
Name of Director	Directors Fees (RM)	Other Allowances ¹ (RM)	Other Emoluments (RM)		Meeting Allowances for Board and Board Committees (RM)		Estimated Monetary Value of Benefits-in-Kind (RM)	Total (RM)	
			Company ²	Subsidiaries ³	Company	Subsidiaries		Company	Subsidiaries
Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman)	360,000	29,925	36,000	-	42,000	-	104,375 ⁴	572,300	-
Dato' Sri Che Khalib bin Mohamad Noh	90,000 ⁵	-	-	675,000	30,000 ⁶	800 ⁶	-	120,000	675,800
Datuk Muhammad Noor bin Hamid	90,000	25,000	48,000	-	57,500	-	-	220,500	-
Datuk Ooi Teik Huat	90,000	25,000	45,097	-	66,000	-	-	226,097	-
Kohei Hirao	85,403	47,841	-	-	27,500	-	-	160,744	-
Cindy Tan Ler Chin	90,000 ⁶	50,000	24,000 ⁶	-	39,000	-	-	203,000	-
Dato' Wan Kamaruzaman bin Wan Ahmad	90,000	25,000	-	-	25,000	-	-	140,000	-
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	90,000	5,000	96,000	-	70,000	-	-	261,000	-
Datuk Idris bin Abdullah	90,000	21,168	90,000	-	65,500	-	-	266,668	-
Tan Sri Dato' Seri Alauddin bin Dato' Md Sheriff	90,000	20,143	45,097	-	56,500	-	-	211,740	-
Zaiman bin Ismail (Alternate Director to Dato' Wan Kamaruzaman bin Wan Ahmad)	N/A	N/A	N/A	-	5,000	-	-	5,000	-
Sub-total for NED	1,165,403 ⁷	249,077	384,194	675,000	484,000	800	104,375	2,387,049	675,800
Total (NEDs & ED)	2,165,403	282,411	458,026	675,000	484,000	800	104,375	3,494,215	675,800
Total remuneration at Group level	2,165,403	282,411	1,133,026		484,800		104,375	4,170,015	

- 1 Other allowances paid by MCB to the NEDs comprising annual leave passage and annual supplemental fees (includes FY2015 claims paid in FY2016) and travelling allowances (only in respect of Kohei Hirao).
- 2 Board committee fees paid to the NEDs who are sitting on the Board Committee of the Company.
- 3 Other emoluments paid by the subsidiaries are chairman's allowance paid to a NED of MCB who is also serving as the chairman of the subsidiaries.
- 4 Benefits-in-kind paid to the Chairman of the Company comprising company car, company driver, petrol, utilities & medical reimbursements.
- 5 Directors' fees and meeting allowances are shared on an equal basis between the NED and MMC Corporation Berhad (which nominated the NED on the Board)
- 6 Directors' fees and other emoluments are shared on an equal basis between the NED and Employees Provident Fund Board (which nominated the NED on the Board)
- 7 Total directors' fee payable to the NEDs in 2016.

CORPORATE GOVERNANCE STATEMENT

The aggregate Directors' remuneration for the Group and Company are broadly categorised into the following bands:

Amount of Remuneration (RM)	Group		Company	
	Number of Executive Directors	Number of Non-Executive Directors	Number of Executive Directors	Number of Non-Executive Directors
100,001 to 150,000	-	1	-	2
150,001 to 200,000	-	1	-	1
200,001 to 250,000	-	4	-	4
250,001 to 300,000	-	2	-	2
300,001 to 350,000	-	-	-	-
350,001 to 400,000	-	-	-	-
400,001 to 450,000	-	-	-	-
450,001 to 500,000	-	-	-	-
500,001 to 550,000	-	-	-	-
550,001 to 600,000	-	1	-	1
600,001 to 650,000	-	-	-	-
650,001 to 700,000	-	-	-	-
700,001 to 750,000	-	-	-	-
750,001 to 800,000	-	1	-	-
800,001 to 850,000	-	-	-	-
850,001 to 900,000	-	-	-	-
900,001 to 950,000	-	-	-	-
950,001 to 1,000,000	-	-	-	-
1,000,001 to 1,050,00	-	-	-	-
1,050,001 to 1,100,00	-	-	-	-
1,100,001 to 1,150,00	1	-	1	-

(iii) BRIC

The Board Risk Committee ("BRC"), which was established on 25 November 2014, comprises four Non-Executive Directors, two of whom are Independent Directors. The BRC, chaired by an Independent Non-Executive Director of the Company, is a dedicated committee formed by the Board to provide oversight of the key risks that the Group faces and must manage. It allows in-depth deliberation and focuses on the risk management activities of the Group by the committee, prior to making recommendations to the Board. High and extreme risks faced by the Company and Group will be highlighted to the Board for its information and notation.

The terms of reference of the BRC include the following:

- to review the processes for determining and communicating the Company's risk appetite;
- to oversee the establishment, implementation and adequacy of the risk management system of the Group of which the effectiveness of the system is reviewed annually;
- to review and approve the risk management framework and policies to be adopted by the Group. The risk framework is constantly monitored and reviewed to ensure risks and controls are updated to reflect current situations and ensure relevance at any given time;
- to review management's processes for identifying, analysing, evaluating and treating risks, as well as communicating the identified risks across the Group;
- to review periodic reports on risk management of the Group and deliberate on key risk issues highlighted by the Management Risk Committee;
- to report to the Board the key risks of the Group and the action plans to mitigate these risks;
- to provide independent assurance to the Board on the effectiveness of risk management processes in the Group;
- to invite outside counsel, subject-matter experts and other advisors, to the extent it deems necessary or appropriate, to facilitate expert discussion and seek expert opinion; and
- to carry out such other assignments as may be delegated by the Board.

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On 21 November 2016, the BRC was renamed to the Board Risk and Investment Committee ("BRIC") following the Board's approval for this committee to be responsible for the review of investments proposed by the management and recommended by the Management Investment Committee.

With the additional scope of the BRIC, it is to assist the Board in reviewing and recommending material investment decisions of the Group comprising acquisition and divestment/ disposal of businesses, investments, companies, land and buildings as well as the bidding for any binding tenders and contracts for new power and water generation project, O&M services and any other businesses of the Group as well as new businesses intended to be pursued by the Group valuing more than RM500 million (collectively referred to as "Material Investment Decision").

Other than the review and recommendation of Material Investment Decision to the Board, the BRIC is also delegated the responsibilities of reviewing the planning stage of the Group's investments and the monitoring of the performance of the Group's investment portfolio. The full details of the terms of reference of the BRIC can be found in the Company's website at www.malakoff.com.my.

Details of the BRIC and a summary of its activities are spelt out in the BRIC Report which appears on pages 102 to 106 of this Annual Report.

iv) BPC

Since the formation of the BPC on 21 August 2015, the BPC had effectively discharged its duties and responsibilities entrusted by the Board within its authority limits under the Company's Limits of Authority ("LOA"). The BPC had, over the course of the financial year in review, considered and approved three procurement awards upon recommendation of the Company's Management Procurement Committee ("MPC"). All decisions of the BPC were informed to the Board at the next best opportunity.

As last year, the composition of the BPC is made up of four members who are Non-Executive Directors with one member who is an Independent Director. The combination of knowledge, skills and experience of the BPC from different background had contributed to the effectiveness of the BPC in reviewing and deliberating procurement proposals under its purview. The BPC shall convene meetings on a need basis to deliberate

and recommend, procurement awards of the Group to meet the business needs of the Group. In fulfilling its objectives, the BPC undertakes the following functions, roles and responsibilities:

- to review, evaluate and approve or disapprove procurements of the Group in accordance to the LOA approved by the Board; and
- to assist the Board in regulating compliance in line with the Group's Procurement Policies and Procedures.

3. REINFORCE INDEPENDENCY

(Principle 3 of the MCCG 2012)

Recommendation 3.1

The board should undertake an assessment of its independent directors annually

Given the importance of the role of the independent directors in giving independent views and having undue influence from interested parties in the boardroom discussion and decision, it is a vital that independent directors remain independent in their views and actions. The Board through the BNRC carries out an annual independence assessment of its Independent Directors with reference to the key criteria developed by the BNRC in the annual board assessment exercise. The criteria used to assess the independent directors are those which are prescribed under the Bursa Malaysia and the Corporate Governance Guide: Towards Boardroom Excellence, 2nd Edition. These directors are also assessed on their ability to provide strong, valuable contributions to the Board's deliberations, without interference and acting in the best interests of MCB throughout their service as being directors of the Company.

During the financial year under review, all of the Independent Directors of the Company, had declared their independence based on criteria set out in Paragraph 1.01 of the MMLR of Bursa Malaysia. The Board is pleased to report that none of the Independent Directors had any interest or relationship that could reasonably be perceived to materially interfere with the independent exercise of their judgment. Materiality is assessed on a case-to-case basis by the Board and each Director is required to regularly disclose to the Board all information that may be relevant to this assessment, including their interests in contracts and other directorships held. The independent directors are also assessed on whether their behaviour and the manner in which they conduct themselves on the Board coincides with their self-declaration that they have complied with the spirit of independence prescribed by the MMLR.

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Therefore, based on their declarations and actions at the Board, the BNRC is satisfied that the Independent Directors have complied with the independence criteria as prescribed by the MMLR and continue to bring independent and objective judgement to Board deliberations.

Recommendation 3.2

The tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director

Recommendation 3.3

The board must justify and seek shareholders' approval in the event it retains as an independent director, a person who has served in that capacity for more than nine years.

The MCCG 2012 recommends that the tenure of an Independent Director should be limited to a cumulative term of nine years. After that tenure, the said Independent Director may continue to serve the Board upon reaching the nine-year limit subject to him/her being re-designated as a Non-Independent Director. It further recommends that if the Board was to retain the individual as an independent director, after he has served in that capacity for more than nine years, the Board must justify and seek shareholders' approval for this retention.

As the Company strives to follow the best practices prescribed by MCCG 2012, the Board will pursuant to Recommendations 3.2 and 3.3 of the MCCG 2012, justify the decision to retain a Director as an Independent Director beyond the cumulative term of nine years, if it intends to do so and to seek shareholders' approval at a general meeting. The justification for the retention of the Independent Director will be subject to the recommendations of the BNRC, which is entrusted to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criterion of independence.

As all of the Independent Non-Executive Directors of the Company have served less than nine years in the Company, the MCCG 2012 recommendation will not be applicable now. The BNRC will continue, on an annual basis, to assess the independence of the Company's Independent Non-Executive Directors.

Recommendation 3.4

The positions of chairman and GMD should be held by different individuals, and the chairman must be a non-executive member of the board

- **Separation of Powers between the Chairman and the GMD**

In line with the recommendation of the MCCG 2012, there is a clear division of responsibility of the Chairman and GMD, which promotes accountability and facilitates division of responsibilities between the two roles. The GMD who is assisted by the Senior Management, is responsible for the business and day-to-day management of the Company. This division of roles between these two positions will ensure that no one individual has unfettered powers over decision making.

- **The Chairman**

Tan Sri Dato' Seri Syed Anwar Jamalullail an Independent Non-Executive Chairman of the Company, he is responsible as the Chairman, 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 contributions by Directors are forthcoming on matters being deliberated. He works closely with the rest of the Board members in forming policy framework and strategies to align the business activities driven by the management team.

- **The GMD**

Datuk Wira Azhar bin Abdul Hamid, the newly appointed GMD of Malakoff, has the responsibility of providing the stewardship of the Group's direction and the day-to-day management of the Group. The GMD together with the Senior Management manage the business of the Group according to the business plans, instructions and directions of the Board. The GMD with the management team, also implements the Group's policies and decisions as adopted by the Board, overseeing the operations as well as developing, coordinating and implementing business and corporate strategies.

The Senior Management comprises the following:-

- (i) Executive Vice President, Operations
- (ii) Chief Financial Officer/Senior Vice President, Group Finance and Accounts Division
- (iii) Senior Vice President, Group Planning and Strategy Division

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- (iv) Senior Vice President, Local Generation Division
- (v) Senior Vice President, International Operations and Services Division
- (vi) Senior Vice President, Corporate Services Division

Recommendation 3.5

The board must comprise a majority of independent directors where the chairman of the board is not an independent director.

Tan Sri Dato' Seri Syed Anwar Jamalullail, the Chairman of the Company is an Independent Non-Executive Chairman of the Company. Currently, four out of eleven Board members are Independent Directors who are able to exercise independent judgment on issues of strategy, performance and resources of the Group. The Independent Non-Executive Directors of the Board play an important role in upholding the views of objectivity and independence in the discussion and decision making process of the Board. Their advice and judgment on interests, is not only limited to the Group, but also encompasses shareholders, employees, customers, suppliers and the communities in which the Group conducts its operations.

The Independent Non-Executive Directors are persons of high calibre and integrity, who provide skills and competencies, which ensure the Board's effectiveness. The Independent Non-Executive Directors represent and protect the interests of shareholders and are to provide an impartial view and quality advice to the decision making process of the Board. Independent Directors on the Board exercise their duties unfettered by any business or other relationship and are willing to express their opinions at Board meetings, free of concern about their position or the position of any third party. This mitigates risks arising from conflicts of interest or undue influence from interested parties.

• **Conflicts of Interest**

To uphold good corporate governance and to ensure that decisions made are not influenced, any transaction of the Group involving interests of the major shareholders in whom these Non-Independent Non-Executive Directors represent will declare such interest to the Board and will abstain from all deliberations at the Board meeting.

To assist the Board in complying with paragraphs 10.08 and 10.09 of the MMLR of Bursa Malaysia, the Board has approved an internal process which enables management to monitor and report related party transactions ("RPTs") and recurrent related party transactions ("RRPTs") entered into/to be entered into by the Group to the BAC on a quarterly basis.

• **Related Party Transaction Policies and Procedures**

The Board through the BAC will ensure that the RPTs entered into/have been entered into by the Group (in the case of the RRPTs) have/are entered at an arm's length basis, on normal commercial terms and are not detrimental to the minority shareholders of the Company.

To assist the Board in discharging this obligation, RPT Policies and Procedures have been developed and put in place for the Group to guide the Board and each employee as to their roles and responsibilities when a RPT/ RRPT is entered into by the Company and the Group. These also set out the manner in which the RPTs and RRPTs should be approached before the Group enters into such transactions. These also spell out the process for monitoring, reporting and compliance as well as the various obligations of the Company and the Group under the MMLR of Bursa Malaysia when certain thresholds of the value of the transactions are triggered.

4. **FOSTER COMMITMENT**

(Principle 4 of the MCCG 2012)

Recommendation 4.1

The board should set out expectations on time commitment for its members and protocols for accepting new directorships

• **Time Commitment**

The Board meets at least four times every financial year and, as and when necessary, for any matters arising between regular Board meetings. All the Board and Board committees meetings are scheduled at the onset of the calendar year to facilitate the Directors' time planning. The Board ordinarily schedules three (3) additional meetings on top of the required quarterly meeting annually, to cater for any urgent matters which require the Board's decision and approval. Any additional meeting, on top of the seven (7) scheduled meetings, will be convened by the Company Secretary, after consultation with the Chairman and the GMD.

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During the financial year ended 31 December 2016, a total of 11 Board meetings were held where the attendance of each director had been detailed below:-

Name of Directors	No. of meetings attended
Tan Sri Dato' Seri Syed Anwar Jamalullail	11 out of 11
Datuk Wira Azhar Abdul Hamid (appointed as Group Managing Director on 1 May 2016)	7 out of 7
Dato' Sri Che Khalib Mohamad Noh	11 out of 11
Datuk Muhamad Noor Hamid	10 out of 11
Datuk Ooi Teik Huat	11 out of 11
Cindy Tan Ler Chin	9 out of 11
Tan Sri Dato' Seri Alauddin Dato' Md Sheriff	9 out of 11
Datuk Dr. Syed Muhamad Syed Abdul Kadir	11 out of 11
Datuk Idris Abdullah	10 out of 11
Dato' Wan Kamaruzaman Wan Ahmad	9 out of 11
Kohei Hirao	10 out of 11

Each individual member of the Board is expected to devote sufficient time to the Company in carrying out his or her duties and responsibilities as this plays an important role in the development of the Group's policy and oversight of the management of the Company. Time commitment of new Board members will be communicated to the new director upon their appointment.

The existing Board members would need to abide to a procedure before accepting any new external Board appointment where notification on the indication of time to be spent on the new external appointment must be properly communicated to the Board. If there is a potential conflict in the pending appointment, it will be tabled to the BNRC notwithstanding the fact that paragraph 15.06 of the MMLR of Bursa Malaysia allows a Director to sit on the boards of up to five listed issuers. To date, the directors of the Company have complied with the MMLR requirement of not holding more than five (5) directorships in listed companies.

All Board members had attended more than 80% of the Board meetings held during the financial year 2016, demonstrating their commitment in investing sufficient time towards fulfilling their roles and responsibilities as Board member of the Company.

Recommendation 4.2

The board should ensure its members have access to appropriate continuing education programmes

- **Directors' Training**

The Board is mindful of the importance of continuous education for its members to update their knowledge and enhance their skills especially in this new regime of the Companies Act 2016 and the amendments to the MMLR of Bursa Malaysia. All Directors are encouraged to attend continuous education programmes and continuous training to enhance their business acumen and professionalism in discharging their duties to the Group as well as to help them to be kept abreast with the current developments and business environment affecting their roles and responsibilities.

During the year, the BNRC carried out a Board matrix competency exercise for each member of the Board as part of the Board evaluation exercise. This exercise had enabled the determination of key areas of improvement for each of the Directors and their respective training needs to bridge their respective competency gaps. The Company Secretary had organised an in-house training for the Board members entitled "the Companies Act 2016 and its implication to Directors" during the year and had circulated regular updates on training programmes from various organisations to the directors for their consideration for participation.

In compliance with paragraph 15.08(2) and Appendix 9C (Part A, paragraph 28) of the MMLR of Bursa Malaysia, all directors (during the financial year ended 31 December 2016) had attended at least one training session. The summary of the training programmes attended by our Directors are listed below:-

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Name of Director	Conference/Training Programme Attended	Date
Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman)	Update on Human Resource in Nestle World	8 January 2016
	PwC Building Trust Award 2015	23 February 2016
	Overview on Ready to Drink Business Unit	23 February 2016
	Overview on Creating Shared Value ("CSV")	23 February 2016
	Overview on Nestle Health Science	26 April 2016
	Update on Sales Business Unit	29 June 2016
	Update on Security on Nestle Malaysia/Singapore	22 August 2016
	Overview on Nestle Zone Asia, Oceania & Africa (including CSV & Sustainability)	22 August 2016
	Capturing Value from Disruption	23 September 2016
	Power Sector Outlook for Selected Geographies	23 September 2016
	Amendments to the Listing Requirements by KPMG	26 September 2016
	Companies Bill 2015 by Messrs. Wong & Partners	26 September 2016
	Update on Human Resources in Nestle World	25 October 2016
	Overview on Marketing Services & Social Media	25 October 2016
	Overview on e-Commerce	25 October 2016
	Overview on Healthier Choice Logo & Selective Food Tax	25 October 2016
	Update on Raw Material Sourcing	25 October 2016
	Update on Innovation & Renovation Award	25 October 2016
Investment in Myanmar 2016	7 November 2016	
Datuk Wira Azhar bin Abdul Hamid	Special Invitation to industry briefing on Directors Register Implementation	17 February 2016
	Directors Remuneration Report 2015: Briefing session for Directors, A special briefing on the implementation of the Recommendations	25 February 2016
	FIDE Core Programme – Module A	8-10 March 2016
	2016 BNM Governor's Address on the Malaysia Economy & Panel Discussion	24 March 2016
	Audit Committee Conference 2016	29 March 2016
	Concept Paper on Corporate Governance	25 April 2016
	Concept Paper on Shareholder Suitability	25 April 2016
	Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements	25 April 2016
	FIDE Core Programme – Module B	5-7 October 2016
	Companies Act, 2016 and its implications to director	7 November 2016
Dato' Sri Che Khalib bin Mohamad Noh	Speaking Engagement – Customer Experience: Lesson Learnt from the World Most Admired Organisations	24 May 2016
	Competition Law Talk	23 August 2016
Datuk Muhammad Noor bin Hamid	Malaysian Oil & Gas Services Exhibition and Conference	September 2016
	Companies Act, 2016 and its implications to Director	7 November 2016
Cindy Tan Ler Chin	Woman Power Network	1 March 2016
	Companies Act, 2016 and its implications to Director	7 November 2016
	CG Breakfast Series with Directors : "The Cybersecurity Threat and How Board Should Mitigate the Risks"	18 November 2016

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Name of Director	Conference/Training Programme Attended	Date
Datuk Ooi Teik Huat	How to build or burn trust in an organization – A conversation with Andrew Fastow	6 June 2016
	Competition Law Talk	23 August 2016
	Financial Outlook 2017	5 September 2016
	2016 National Conference of the Institute of the Internal Auditors Malaysia - Audit Committee Leadership Track	11 October 2016
	Companies Act, 2016 and its implications to Director	7 November 2016
Tan Sri Dato' Seri Alauddin bin Md Sheriff	Half day talk on:	26 September 2016
	i) Shariah non-compliance risk and its impact to Islamic Banks	
	ii) Malaysia Financial Reporting Standard (MFRS) 9 – Financial Instruments and key audit matters	
	iii) Internal Capacity Adequacy Assessment Process (ICAAP)	
Datuk Idris bin Abdullah	Evolution of Enterprise Risk Management Models and Standards	5 September 2016
	Companies Act, 2016 and its implications to Director	7 November 2016
Datuk Dr. Syed Muhamad bin Syed Abdul Kadir	Focus Group Discussion in preparation for Dialogue with BNM's Senior Management	3 February 2016
	Bank Negara Malaysia Annual Report 2015 / Financial Stability and Payment Systems Report 2015 Briefing Session	23 March 2016
	Risk Appetite Workshop	24 March 2016
	Independent Directors Programme: The Essence on Independence	28 March 2016
	Panelist for the session "Putting it All Together" – MINDA Engagement on Enhancing Director and Board Effectiveness – INSKEN Onboarding Directors Programme	29 March 2016
	Participated in the RFI Responsible Finance Summit	30 – 31 March 2016
	Breakfast Talk Session entitled "Key Traits to Make or Break a CEO: Establishing the Measures"	12 May 2016
	Training Session on ISO for EURO Board of Directors	2 June 2016
	Public Lecture at the University Sultan Zainal Abidin (UniSZA)	12 June 2016
	Focus Group Discussion on "Islamic Finance for Board" Programme	30 June 2016
	Future CEO Programme	16 July 2016
	Competition Law Talk	23 August 2016
	Khazanah Megatrends Forum	26 – 27 September 2016
	2016 National Conference of the Institute of the Internal Auditors Malaysia – Audit Committee Leadership Track	11 October 2016
	Speaking to students of BBA (Islamic Finance) who took subject on "Shariah Aspects of Business and Finance"	16 October 2016
	Sesi Refleksi CEO Faculty Programme bersama YB Menteri Pendidikan Tinggi	19 October 2016
Companies Act, 2016 and its implications to Director	7 November 2016	
CIMB Group's Annual Management Summit (AMS)	11-12 November 2016	

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Name of Director	Conference/Training Programme Attended	Date
Dato' Wan Kamaruzaman bin Wan Ahmad	Companies Act, 2016 and its implications to Director	7 November 2016
	2016 Economics Outlook Workshop	29 February – 1 March 2016
	Invest Malaysia 2016 Conference	12 April 2016
	Leadership Series with YBhg Tan Sri Rafidah Aziz Corporate Governance, NFI & Investment Decision – What the Board need to Know (Part 1)	9 May 2016
	Global Islamic Finance Forum	10 - 12 May 2016
	The ICGN Annual Conference 2016 (International Corporate Governance Network)	27 - 29 June 2016
	International Social Security Conference 2016	10 - 11 August 2016
	Leadership Series with YBhg Dato' Sri Idris Jala	2 September 2016
	JOIM-Oxford-EDHEC Retirement Investing Conference	11 - 13 September 2016
	Private Equity Forum 2016	20 - 21 September 2016
	Khazanah Megatrends	26 September 2016
	Corporate Governance, NFI & Investment Decision – What the Board need to Know (Part 2)	28 September 2016
	Strategic Corporate Governance	19 October 2016
	Khazanah Global Lecture – (Dame Dr Jane Goodall)	31 October 2016
	ASLI (Speaker) Strengthening Capital & Financial Markets & Boosting the Bond & Equity Market	1 November 2016
	Kohei Hirao	Mandatory Accreditation Programme for Directors of Public Listed Companies
MINDA Power Talk – Bridging the gap via stakeholder engagement		18 October 2016
Companies Act, 2016 and its implications to Director		7 November 2016
Zalman bin Ismail	The Voice of Leadership	1-4 March 2016
	Risk Awareness: Briefing on Insider Trading	28 August 2016
	International Foundations of Directorship (IFoD) 2016	15-17 August 2016

As per the past practice, the Company had organised for the Board an annual offsite breakout session with the management to discuss the Group's strategies and business plans. Guest speakers were invited to brief the Board on the latest developments in the power industry, new business ventures as well as potential markets in which the Company could tap for growth. Key takeaways from the session were used by the management to develop the Group's strategies and business plans for 2017.

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

(Principle 5 of the MCG 2012)

Recommendation 5.1

The Audit Committee should ensure financial statements comply with applicable financial reporting standards

- **Financial Reporting**

The Board is committed to provide and present a clear, balanced and meaningful assessment of the Company's financial performance and prospects to its shareholders, investors, relevant regulatory authorities and other stakeholders. The announcements to

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Bursa Malaysia on the quarterly results of the Group and the Annual Report are issued in a timely manner to ensure that its shareholders are kept up-to-date with the Group's performance and prospects. The Board is responsible in ensuring that the accounting records are kept in a proper order and that the financial statements are prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Board is assisted by the BAC in overseeing the Group's financial reporting processes so that the quality and integrity of the financial reporting are maintained. These processes are aimed to provide assurance that the financial statements and the notes accompanying the financial statements are completed in accordance with applicable legal requirements and accounting standards and reflect a true and fair view of the Group's financial position.

Recommendation 5.2

The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors

• **Relationship with Auditors**

The Board maintains a formal and transparent relationship with the Company's auditors in seeking their professional advice and ensuring audit issues are properly addressed at Board level. The external and internal auditors are invited on a quarterly basis, to present significant audit findings that they wish to bring to the attention of the BAC. The BAC also meets with both the internal and external auditors at least twice a year without the presence of the management and whenever it deems is necessary. This is to encourage open discussion between the BAC with the internal and external auditors of the Company so that feedback on the level of co-operation given by the management during their audits are communicated, the areas for improvement of the audit exercise, or any other concerns it wish to bring to attention of the BAC.

The BAC through the Company Secretary undertakes the assessment of both the internal and external auditors. The assessment involves the completion of a set of questionnaires that include amongst other things, the adequacy of resources, the quality and adequacy of personnel carrying out the audit, the quality of audit reports received by the BAC and the adequacy of coverage of the audit. The feedback of the Chief Financial Officer is also sought through the completion of a different set of questionnaires to assess on the quality of the audit reports and the performance of the external auditors.

The Board is well aware that the objectivity and independence of the external auditors must not be any way be impaired by their provision of non-audit services to the Group. Hence, to assist the Board in achieving this, it had approved on 21 November 2016, a policy on non-audit services as prescribed by MCCG 2012.

Under the said policy, the BAC's objective is to ensure that the provision of non-audit services to MCB does not impair the external auditor's objectivity and independence. In this context, the AC shall consider the followings:

- whether the skills and experience of the external auditors make it suitable service provider of the non-audit service(s);
- whether the suitability and need for the service of the external auditors has been considered;
- whether safeguards have been deployed to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the non-audit services provided by the external auditors; and
- the nature of non-audit services, the related fee levels and fee levels individually, and in aggregate relative to the audit fee.

The BAC should satisfy itself that safeguards required by legislation or standards are implemented and complied with.

The external auditors under the policy is prohibited from performing non-audit services based on the following principles:-

- Create a mutual or conflicting interest between the external auditors and the Company;
- Result in the external auditors functioning in the role of management;
- Place the external auditors in the position of auditing its own work; and
- Place the external auditors in the position of being an advocate for the Company

The policy also prescribed that the external auditors must observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services, which include the following:-

- accounting and book keeping services;
- valuation services;
- taxation services;
- internal audit services;
- IT systems services;
- litigation support services;
- recruitment services; and
- corporate finance services.

The management shall obtain confirmation from the external auditors that the independence of the external auditors will not be impaired by the provision of non-audit services. The management had at all times required the external auditors to

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make the commitment that objectivity or its independence will not be impaired with the provision of the non-audit services by including such assurance in each engagement letters for the non-audit services rendered by it. All services were procured in accordance with the Malakoff Group's Procurement Policy. Non-audit services can be offered by the external auditors, if there are clear efficiencies and value added benefits to the Group, which is subject to the selection process under the Malakoff Group's Procurement Policy.

The external auditors' remuneration including non-audit Fees for the Company and the Group for the financial year ended 31 December 2016 had been tabled under page 116 and 202 of this Annual Report.

The BAC will determine and recommend the proposed re-appointment of the external auditors of the Company based on its assessment and the Chief Financial Officer whilst also ensuring that their fees will not compromise the independence of the external auditors.

Being satisfied with the performance of the external auditors for the year under review, the Board recommends their re-appointment, upon which shareholders' approval will be sought at the AGM.

6. RECOGNISE AND MANAGE RISKS

(Principle 6 of the MCCG 2012)

Recommendation 6.1

The board should establish a sound framework to manage risks

• **Internal Control**

The Board has the overall responsibility for maintaining a sound system of internal control that covers not only financial controls but also provides reasonable assurance for effective and efficient operations, compliance with laws and regulations, as well as adherence with internal procedures and guidelines.

The Statement on Risk Management and Internal Control is set out on pages 102 to 106 of this Annual Report.

• **Risk Management Framework**

The Board acknowledges the importance of sound risk management framework in managing the Group's risks and has entrusted the Company's risk management oversight to the BRIC. The BRIC reports to the Board on a quarterly basis to enable adequate review of the Group's risk management framework.

The Enterprise Risk Management Policy & Framework ("ERMPPF") ensures a structured risk management process that includes risk identification, risk analysis, risk evaluation

and risk treatment are being implemented throughout the Group. The MRC is responsible to execute and implement the ERMPPF. The MRC is a platform where the Group's risks are communicated and discussed at the Management level. Strategies in managing key risks are also formulated in order to support the strategic objectives of the Company. Furthermore, the MRC is responsible in monitoring the effectiveness of risk controls and providing updates on the significant risks to the BRIC every quarter.

The Risk Management Department ("RMD") supports the BRIC and MRC in executing risk analysis and reporting as well as cultivating the Company's risk culture. The RMD also acts as a conduit to all the business units with regard to the execution of the planned risk management activities that are consistent with the ERMPPF.

In addition, Plant Risk Management Committees are also responsible for managing all the operational risks at the power plants. The Plant Risk Management Committees oversee the risk activities at power plants in compliance with the Company's ERMPPF.

Details of the Company's risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control and the BRIC Report on pages 102 to 106 of this Annual Report.

Recommendation 6.2

The board should establish an internal audit function which reports directly to the AC

• **Internal Audit Function**

The Internal Audit Department ("IAD") was established to support the Board through the BAC in discharging its duties and governance responsibilities. The IAD provides the Board through the BAC an independent and objective assurance on governance, risk management and control processes designed to improve and add value to the Group. The IAD reports functionally to the BAC and administratively to the GMD and is independent of the activities that they audit and perform their duties with impartiality, proficiency and due professional care.

Among the roles and responsibilities of IAD is to evaluate the adequacy, effectiveness and integrity of key internal control systems and risk exposures of the Group's governance, operations and information systems in relation to:-

- a) Achievement of the Group's strategic objectives;
- b) Reliability and integrity of financial and operational information;
- c) Effectiveness and efficiency of operations;
- d) Safeguarding of assets;
- e) Economic utilization of resources; and
- f) Compliance with relevant laws, regulations, policies, procedures and contractual obligations

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Details of the Company's internal audit function and activities are presented in the BAC Report on pages 113 to 114 and the Statement on Internal Audit Function on page 115 of this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

(Principle 7 of the MCCG 2012)

Recommendation 7.1

The board should ensure the company has appropriate corporate disclosure policies and procedures

- **Corporate Disclosure Policies and Guidelines**

In acknowledging the importance of being accountable to the shareholders and the market with full and timely information via an effective medium of communication, the Company had formalised a Corporate Disclosure Policies and Guidelines ("CDP"). The CDP ensure that there is a systematic approach within the organisation to communicate material information and disseminate it to various stakeholders such as investment regulators, members of the media and the investment community.

The CDP was established based on the basic principles of transparency, timeliness, fairness, continuity and confidentiality apart from complying with the MMLR of Bursa Malaysia. The CDP covers all manner and/or platform of formal and informal correspondences and communication, which is taken by the Company. A Disclosure Committee comprising the GMD, Executive Vice President, Operations, Chief Financial Officer (primary contact) and Company Secretary will administer the CDP including determining material information, ensuring timely disclosure to Bursa Malaysia, monitoring compliance and overseeing disclosure procedures.

- **Insider Trading**

The CDP sets out guidelines on trading restrictions for directors, officers or employees privy to material information. In compliance with the MMLR of Bursa Malaysia, the directors, principal officers or employees who are privy to material information are prohibited from trading in securities of the Company up to one market day after the material information is released to the public. Notices on the closed period for trading in the Company's securities are circulated to the directors, officers or privileged employees who are privy to any price-sensitive information and knowledge in advance of the closed period where applicable.

Recommendation 7.2

The board should encourage the company to leverage on information technology for effective dissemination of information

- **Leverage on Information Technology for Effective Dissemination of Information**

The Company employs a wide range of communication modes with its shareholders primarily through its website at www.malakoff.com.my which has dedicated sections for corporate information of the Company and corporate governance practices adopted by the Group. The website provides a wide range of information such as the company policies, media releases, investor presentations, quarterly and annual financial statements, announcements, share and financial information, annual reports and circulars/statements, to shareholders and investors at large.

8. STRENGTHENING RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

(Principle 8 of the MCCG 2012)

Recommendation 8.1

The board should take reasonable steps to encourage shareholder participation at general meetings

- **Annual Report and Shareholder Participation at General Meetings**

The Board believes that the shareholders or prospective new investors are entitled to receive timely and material information about their investment to assist them in making informed investment decisions.

The Annual Report of the Company is circulated in a timely manner to shareholders so that the shareholders and the market at large is provided with information on the Company's financial performance, business activities, corporate social responsibilities and other key activities. An electronic/digital form of 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 for access by the shareholders. Upon the request of shareholders, the Company will provide a hard copy of the Annual Report to the shareholders of the Company.

The general meeting serves as a principal platform for the Board and Senior Management to engage with shareholders and encourage effective shareholder communication on the Company's performance, corporate and business developments and any other matters affecting shareholder's interests. The Board encourages participation of shareholders in the general meeting where the shareholders will be given a brief overview of the Company's operation and performance by the GMD of the Company. 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.

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The general meeting also serves as an avenue for the Chairman and the Board members to engage in two-way communication with shareholders. Shareholders are encouraged to participate in the question and answer session with the Board personally and exercise their right to vote on the proposed resolutions. The external auditors will be present at the AGM to answer 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.

Recommendation 8.2

The board should encourage poll voting

- **Poll Voting**

Pursuant to paragraph 8.29A of the MMLR of Bursa Malaysia which came into force on 1 July 2016, all resolutions set out in the notice of general meeting which may be moved or intended to be moved at the general meetings will be put to vote by polling. Hence, the Company shall conduct its forthcoming AGM by poll instead of show of hands as practiced in previous years. At least one scrutineer, who must not be the officer of the Company or its related corporation and independent of the person undertaking the polling process, will be appointed to validate the polling process as well as the votes cast at the general meetings.

The outcome of voting on the proposed resolutions will be released via Bursa Link to the public at large and uploaded to the Company's website after the general meeting. The Company's AGM will be the first AGM that it will enter into this new regime for voting.

Recommendation 8.3

The board should promote effective communication and proactive engagements with shareholders

- **Communication and Engagement with Shareholders or Investors**

The Board is committed to establish a constructive and effective relationship with its shareholders and all investors in the market. This is essential in realising long term values of the Company as well as enhancing shareholders' value. Other than the forum of general meetings, the Board encourages other mediums of communication between the Company and its shareholders or investors as follows:

- the disclosure of full and timely information on the Group's major developments pursuant to the MMLR of Bursa Malaysia;
- all information of the Group's activities or press releases made available on the Company's website;
- all announcements released to Bursa Malaysia and uploaded onto the Company's website; and
- physical forums for interactive exchange between the Company's Senior Management and investors at meetings, briefings and site visits

As an effort to promote effective engagement with shareholders or public at large, the Company has set up an Investor Relations section on its corporate website at www.malakoff.com.my where the relevant investor information is made available for review as well as for enquiries to be posed to the Company's management. A designated personnel has been assigned to attend or respond to shareholders/investors' enquiries from time to time.

Further explanation on the Company's engagement with the investors is set out in the Investor Relations section on page 54 of this Annual Report.

9. 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 Companies Act, 1965 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 121 of this Annual Report together with the details of the Company and the Group financial statements for the financial year ended 31 December 2016 which are set out on pages 122 to 234 of this Annual Report.

10. COMPLIANCE STATEMENT BY THE BOARD ON THE CORPORATE GOVERNANCE 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 Recommendations set out in the MCCG 2012 as well as the relevant paragraphs under the MMLR of Bursa Malaysia for the financial year under review. Any recommendations in the MCCG 2012 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 7 March 2017.