

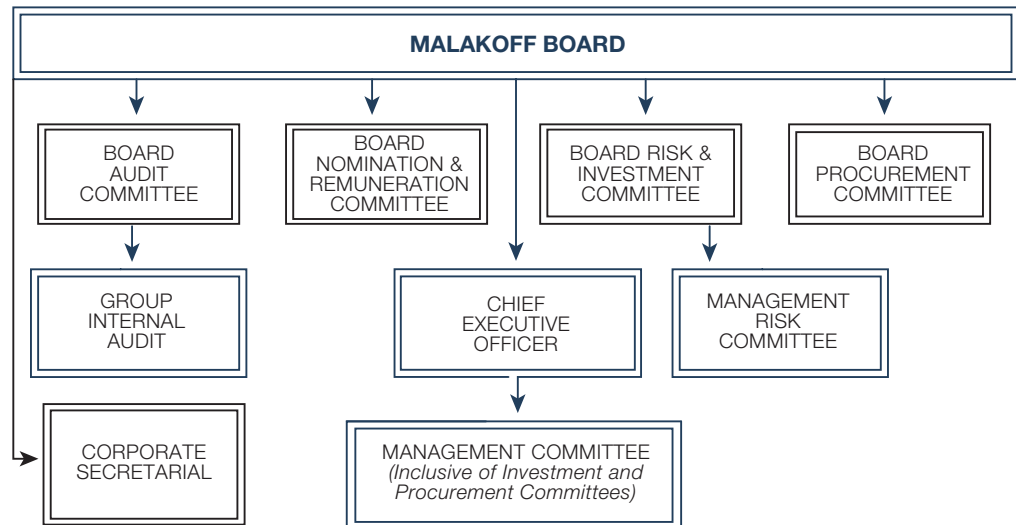
Corporate Governance Overview Statement

This corporate governance overview outlines the corporate governance framework, policies and practices which have been adopted by the Board of Directors (“**Board**”) of Malakoff Corporation Berhad (“**Malakoff**” or “**Company**”) during the financial year 2017 to be in line with the Company’s Constitution, Malaysian Code on Corporate Governance (“**MCCG**”) 2017, where possible, and the applicable laws to be a dynamic framework within which the Company would conduct its business.

The Board of Malakoff takes due cognisance of the application of the principles of good corporate governance and Board’s responsibilities as described in the MCCG 2017. The Board believes that best practice corporate governance standards are essential for enhancing the Company’s opportunities in the power and water industry and for the long-term sustainability of its businesses.

This corporate governance overview has been made as at 8 March 2018 and was approved by the Board on even date. It sets out a summary of the Company’s corporate governance practices during the financial year with reference to the three principles of MCCG 2017, its key focus areas and future priorities in relation to the corporate governance practices.

The Company’s governance framework is as illustrated below:-



PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

a) Principal responsibilities and functions of the Board

The Malakoff Board comprises ten (10) non-executive Directors, who are responsible for the governance of the Company as well as the overall strategy and business direction of the Malakoff Group in line with the Company’s vision and mission. It sets strategic aims for the Company and provides guidance to the management with regard to the Group’s strategic planning, business conduct, risk assessment and management, investment and divestment policy as well as financial and operational management activities.

The Board safeguards the interests of the Company and fosters sustainability value creation while taking into account the interests of its shareholders, customers, employees, community and other stakeholders.

Practice 1.1 - The Board should set the Company’s strategic aims, ensure that the necessary resources are in place for the Company to meet its objectives and review management performance. The Board should set the Company’s values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

(i) Group’s 5-year Business Plan

In relation to the above principle, the Board and the management had during the year met at its annual strategy engagement session to set the Group’s 5-year business plan and to develop long and short-term strategies including annual capital and revenue targets for the ensuing four (4) years.

At the said meeting, industry analysts were invited to brief the Board on the global shift in the industry, new market trends and how Malakoff could compete in global scene. The industry analysts had also provided insights to the Board on emerging markets in which it could explore to plant its foothold.

The key takeaways from this session are taken into consideration in the Group’s strategies and 5-year business plan. For this year, the Board had emphasised on close monitoring of the progress of the implementation of Group’s business strategies. This will ensure success in the execution of the business strategies as alternative plans could be activated if gaps are detected in the strategies at an early stage.

The above strategy session had also provided the platform to set the Board’s expectations on the strategic direction it wishes the management to execute. It had also yielded an open dialogue between the Board and the management for the exchange of ideas and constructive feedback so that an achievable and realistic business plan was developed for execution by the management.

(ii) Corporate Key Performance Indicators (“KPIs”) of the Group

Upon approval of the business plan, the Board had also approved the Group’s Corporate KPIs for 2018 with specific quantifiable targets for the Chief Executive Officer (“CEO”)’s execution. The CEO’s Corporate KPIs are thereafter cascaded to the Management Committee members and his direct reports for execution.

Through the assigned weightages to each key result areas of the KPIs, the management is guided on where its focus and resources should be directed in order to maximise potential of achieving the targets set in the business plan.

Corporate Governance Overview Statement

I. BOARD RESPONSIBILITIES (CONTINUED)

a) Principal responsibilities and function of the Board (continued)

(ii) Corporate Key Performance Indicators (“KPIs”) of the Group (continued)

In addition to providing strategic direction, the Board also assumes, amongst others, the following duties and responsibilities:-

- (i) oversee and evaluate the conduct of business of the Company and the Group;
- (ii) review and ensure that transaction entered into with a related party is fair, reasonable and not to the detriment of minority shareholders;
- (iii) identify principal risks and ensure implementation of a proper risk management system to manage such risks;
- (iv) establish a succession plan;
- (v) develop and implement a shareholder communication policy for the Company; and
- (vi) review the adequacy and the integrity of the management information and internal control systems of the Company and the Group.

There are four (4) standing committees which the Board had delegated its authority to assist in reviewing and monitoring the above functions. These committees are the Board Audit Committee (“**BAC**”), the Board Nomination and Remuneration Committee (“**BNRC**”), the Board Risk and Investment Committee (“**BRIC**”) and the Board Procurement Committee (“**BPC**”).

Practice 1.2 - A Chairman of the Board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board is appointed

Practice 1.3 - The positions of Chairman and CEO are held by different individuals

b) Responsibilities of the Chairman and CEO

The Board had elected a Chairman from amongst the members of the Board who is a Non-Executive Director. As recommended by MCCG 2017, the roles of Chairman and the CEO are held by two (2) different individuals, where each of their responsibilities are clearly divided and described in the Company’s Board Charter.

During the year, Datuk Haji Hasni Harun was appointed as the Company’s Independent Non-Executive Chairman filling a casual vacancy arising from the resignation of the Company’s former Chairman on 20 June 2017. As the Chairman, he provides leadership and guidance to the Board and is responsible for ensuring effectiveness of the Board’s performance. The Chairman presides over the Company’s Board meetings and general meetings and acts as a facilitator at Board meetings to foster effective and constructive deliberations by Directors 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. Further details of the Chairman’s roles and responsibilities are spelt out in the Board Charter of the Company which is available on the Company’s website at <http://ir.chartnexus.com/malakoff/doc/Board%20Charter.pdf>.

Whilst the Board oversees the Group’s strategic plan and direction, the CEO of the Company, Dato’ Ahmad Fuaad Mohd Kenali, who was appointed during the year to replace the Group Managing Director who resigned on 30 June 2017, would provide stewardship of the Group’s direction and the day-to-day management of the Group. He is accountable to the Board for the overall organisation, management, human resources as well as financial and operational matters. The CEO together with the Management Committee members manage the business of the Group in accordance with the business plan, instructions and directions of the Board, and implement the Group’s policies and procedures. The CEO’s financial authority is explicitly provided in the Group’s approved Limits of Authority (“**LOA**”).

I. BOARD RESPONSIBILITIES (CONTINUED)

Practice 1.4 - The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

c) Company Secretaries

The Board is supported by two (2) qualified and experienced Company Secretaries who advise the Board on updates and application of the rules and regulations for the conduct of the affairs of the Board and to ensure that the Company is in corporate compliance to the relevant regulations. The Company Secretaries are accountable to the Board through the Chairman on all corporate governance matters and matters pertaining to proper functioning of the Board in accordance with the Board Charter and best practices. The Board has unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.

Other responsibilities of the Company Secretaries are briefly described as follows:-

- (i) coordinate the induction of new Directors with the management;
- (ii) facilitate the professional development of all Directors on an ongoing basis;
- (iii) identify suitable development programmes for Directors with the Chairman;
- (iv) organise and attend all Board, Board committees and general meetings and to ensure that the meetings are properly convened;
- (v) prepare and maintain records of the proceedings of meetings and resolutions passed by the Board, the Board committees and shareholders;
- (vi) facilitate the review of material proposals by the Chairman with the management prior to Board meetings to promote effective conduct of the meetings and enhance Board communication;
- (vii) disseminate the Board decisions/instructions to the respective persons in charge to act upon;
- (viii) serve as focal point for stakeholders' communication and engagement on corporate governance issues; and
- (ix) maintain the Company's statutory records at the registered office of the Company and to make available for inspection, if required.

The periodic updates received from Bursa Malaysia Securities Berhad ("**Bursa Malaysia**"), the Securities Commission, the Companies Commission of Malaysia and any other relevant regulatory bodies, have been provided to the Board periodically and is included as a permanent agenda for the Board's discussion and notation at its meetings.

Corporate Governance Overview Statement

I. BOARD RESPONSIBILITIES (CONTINUED)

Practice 1.5 - Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner

d) Board Meetings

The Board convened thirteen (13) meetings during the financial year 2017 and the attendance of all Board members is set out in the table below:

| Name of Directors | No. of meetings attended |
|---|---------------------------------|
| Datuk Haji Hasni Harun <i>(appointed as Chairman on 20 June 2017)</i> | 4 of 4 |
| Dato' Sri Che Khalib Mohamad Noh | 13 of 13 |
| Datuk Ooi Teik Huat | 12 of 13 |
| Cindy Tan Ler Chin | 11 of 13 |
| Datuk Dr. Syed Muhamad Syed Abdul Kadir | 13 of 13 |
| Datuk Idris Abdullah | 12 of 13 |
| Dato' Wan Kamaruzaman Wan Ahmad | 9 of 13 |
| Kohei Hirao | 11 of 13 |
| Datuk Seri Johan Abdullah <i>(appointed as Director on 29 May 2017)</i> | 4 of 5 |
| Datuk Rozimi Remeli <i>(appointed as Director on 16 October 2017)</i> | 2 of 2 |
| Tan Sri Dato' Seri Syed Anwar Jamalullail <i>(resigned as Chairman and Director on 20 June 2017)</i> | 9 of 9 |
| Datuk Wira Azhar Abdul Hamid <i>(resigned as Group Managing Director on 30 June 2017)</i> | 9 of 9 |
| Datuk Muhamad Noor Hamid <i>(resigned as Director on 31 August 2017)</i> | 9 of 11 |
| Tan Sri Dato' Seri Alauddin Dato' Md Sheriff <i>(resigned as Director on 16 October 2017)</i> | 11 of 11 |

To facilitate effective Board discussion, the Company Secretaries strive to circulate the agenda of meetings and meeting materials at least five (5) business days prior to date set for meetings, to provide sufficient time for the Directors to prepare for the Board meetings. Soft copies of meeting materials will be sent via electronic mail to the Directors to facilitate the above, when necessary, followed by circulation of physical copies. The Company Secretaries will ensure that relevant proposals or update papers are submitted to the Board or Board committees, where applicable, for their information and review.

I. BOARD RESPONSIBILITIES (CONTINUED)

d) Board meetings (continued)

All deliberations and decisions made at the Board meetings are recorded by the Company Secretaries including whether any Directors abstained from voting or deliberating on a particular matter. Minutes of the meeting are circulated to the Board and the management for review and comments in a timely manner before the minutes of the last Board meeting are confirmed at the next Board meeting.

The timely circulation of materials to the Board and the process taken to ensure that minutes reflect the correct proceedings of the meeting are included in the Corporate KPIs of the Corporate Secretarial Department.

Practice 2.1 - The Board has a Board Charter which is periodically reviewed and published on the Company's website. The Board Charter clearly identifies:-

- **the respective roles and responsibilities of the Board, Board committees, individual Directors and management; and**
- **issues and decisions reserved for the Board**

e) Board Charter

The Board Charter was recently revised and approved by the Board on 21 February 2018 to re-align the existing governance policies in the Company with the good standard of corporate governance practices prescribed by MCCG 2017, where possible or relevant. The Board reviews the Board Charter periodically, when necessary, to ensure it remains relevant and effective at the prevailing time and business environment.

The Board Charter clearly sets out the functions, responsibilities, and processes of the Board and ensures that all Board members are aware of their roles and duties. In order to ensure that the direction and control of the Group are in the hands of the Board, it had adopted a formal schedule of matters reserved for the Board's deliberation and decision which is set out in the Board Charter. These reserved matters relate to Board structure, terms of remuneration, Company and Group's operations, financial and other matters as provided by the laws and/or under the Company's LOA.

In addition, the Board Charter also sets out the terms of reference of the Board committees as well as the roles and responsibilities of the CEO, the Chairman, the Independent Directors ("IDs") and non-IDs as well as the company secretaries.

Practice 1.1 - The Board should set the Company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met

Practice 2.1 - The Board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the Company

Corporate Governance Overview Statement

I. BOARD RESPONSIBILITIES (CONTINUED)

Practice 3.2 - The Board establishes, reviews and together with management implements policies and procedures on Whistle-blowing

f) Code of Conduct and Ethics (“Code”) and Whistle-blowing Policy

The Company maintains a Code that applies throughout the Group demonstrating its commitment to doing business responsibly and ethically. It serves as a guide for the employees to work and make decisions confidently and in a manner that supports the Company’s vision and values. The Code helps the Company achieve the right things in right manner at all times, in areas such as managing conflict of interest, preventing abuse of power, corruption, insider trading and money laundering.

The following principles guide our employees in their dealings with the Group, customers, vendors, suppliers, contractors and other internal and external parties:-

- a) **HONESTY:** avoid hiding the truth;
- b) **INTEGRITY:** avoid situations where the personal interests of employees appear to be in conflict with the interest of Malakoff Group;
- c) **LEADERSHIP:** avoid abuse or misuse of the employees’ position in the Company;
- d) **PROFESSIONALISM:** maintain secrecy when dealing with confidential information obtained in the course of employment and do not disclose or use such confidential information for personal advantage;
- e) **LOYALTY:** avoid jeopardising the reputation of the Company;
- f) **RESPONSIBILITY:** disclose and seek clarification from relevant persons in the Group whenever in doubt or whenever ethical concerns arise;
- g) **TRUSTWORTHINESS:** avoid misuse of the Company’s resources or assets for personal gain; and
- h) **PERSONAL CONDUCT:** conduct or behave in any manner at any place and time that does not bring disrepute to the Group.

All employees are required to adhere to the Code by signing a declaration, which is made available on the Company’s Intranet and is accessible by all employees.

Any non-compliance with the Code is to be reported to the Heads of Department/Division or Human Capital Division, and will be investigated. Upon confirmation of non-compliance, the matter will be brought to the Disciplinary Committee for further deliberation and decision.

In addition to the Code, a Whistle-blowing Policy was also established by the Board in 2014 which provides an avenue for employees and third parties dealing with the Company to disclose cases of improper conduct such as criminal offences, fraud, corruption, breach of Group Policies and Code of Conduct or other malpractices.

Any disclosure of improper conduct can be made orally or in writing to the Chairman of the BAC through a letter or e-mail to whistleblowing@malakoff.com.my. A Whistle-blower is assured confidentiality of identity to a reasonable practicable extent. This includes protecting the Whistle-blower from detrimental action that may result from the disclosure of improper conduct, provided that the disclosure is made in good faith. The Whistle-blowing Policy also serves to ensure fair treatment is provided to both Whistle-blower and the alleged wrong-doer when a disclosure of improper conduct is made. The salient terms of the Whistle-blowing Policy are made available at the Company’s corporate website.

I. BOARD RESPONSIBILITIES (CONTINUED)

f) Code of Conduct and Ethics (“Code”) and Whistle-blowing Policy (continued)

During the year, a revision to the Whistle-blowing Policy was made to further enhance the effective implementation of the Policy. The involvement of the BAC Chairman at the onset of the reporting channel will provide added assurance to Whistle-blowers that the implementation of the Whistle-blowing Policy will be properly followed and escalated to the Board. The Board believes that the above conditions will provide the needed comfort and encourage Whistle-blowers to report their complaints with confidence and without fear of undue repercussions. The Board had also adopted its own Code of Ethics which is set out in the revised Board Charter that is available on the Company’s website.

II. BOARD COMPOSITION

Practice 4.1 - At least half of the Board comprises Independent Directors (“ID”). For Large Companies, the Board comprises majority IDs

a) Board independence

At the date of this statement, the Malakoff Board consists of six (6) Non-Independent Non-Executive Directors (“NIEDs”) and four (4) Independent Non-Executive Directors (“INEDs”) including the Chairman. During the year, a new Independent Non-Executive Chairman was appointed whilst the Board also welcomed two (2) new members who are Non-Executive Directors (“NED”). An overview of the background and experience of each Director of the Company is set out on pages 20 to 25 of the Annual Report 2017.

The Board continued to maintain four IDs which meets the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia of at least three (3) Directors or one-third (1/3) of the total Board members, whichever is higher, to be independent. The diverse personalities of the Board members continues to enable the Board to effectively discharge its duties and responsibilities to meet the demands of Company’s businesses. The Board also has the right balance of members where the interests of the major shareholders of the Company are adequately represented whilst the presence of more than one-third (1/3) ratio of IDs on the Board will ensure that the interests of the minority shareholders are also protected.

The Board acknowledges Practice 4.1 of the MCGG 2017 that suggests a “Large Company” such as Malakoff to have majority IDs on the Board. The Board has regarded the current Board composition to be effective in decision making at the Board level where independent deliberation is upheld with the presence of four (4) IDs at Board together with three (3) nominee Directors of the Company’s substantial shareholders which are statutory bodies managing funds belonging to the general public. The views and deliberations of these Board nominees are usually aligned to safeguard public interest and this had brought independence and objectivity to the Board deliberations.

Given the dynamics of Malakoff’s Board composition, it had managed to garner independent views at the Board meetings from the majority of its Directors, that is, seven (7) out of ten (10) Directors, despite not meeting the required numbers in its expected form recommended by this principle. As the current measure had to a certain extent met the intended outcome, the Board has not ascertained the timeline for having majority IDs on its Board for the time being.

Practice 4.2 - The tenure of an ID does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an ID may continue to serve on the Board as a non-ID. If the Board intends to retain an ID beyond nine years, it should justify and seek annual shareholders’ approval. If the Board continues to retain the ID after the twelfth year, the Board should seek annual shareholders’ approval through a two-tier voting process.

Corporate Governance Overview Statement

II. BOARD COMPOSITION (CONTINUED)

a) Board independence (continued)

Practice 4.3 - Step Up - The Board has a policy which limits the tenure of its IDs to nine years

Currently, none of the IDs have served the Company for more than nine years since the listing of the Company in May 2015. The nine-year term will be due in May 2024. In view thereof, the Company had not adopted the policy for IDs to have cumulative term limit of nine years and should thereafter serve as non-IDs of the Company. Since none of the IDs of Malakoff's Board have reached a nine-year tenure, the Company will consider a policy when the Company's IDs reach their 9th year term as mentioned above.

Practice 4.4 - Appointment of Board and Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

b) Board and Management Diversity

In order to keep abreast with the changing environment that the Company operates, the Board recognises that it should have Directors with a diverse range of appropriate skills and experience, which could bring value to Board's decision and where matters are viewed from all angles. Since the adoption of a diversity policy on 21 November 2016, the Board endeavours to maintain a Board with a broad range of industry, financial, technical, legal and stakeholder related experience relevant to overseeing the energy and water business which is undergoing evolution and transformation.

With the new appointment of three (3) Directors on Board during the year, the Board seeks to maintain a Board which collectively have the following:-

- (i) experience in electricity and water business that is relevant to the Group's strategy on its core business;
- (ii) financial acumen that could assess and analyse the quality of financial controls, financial statements and performance, corporate finance, capital management and funding arrangements;
- (iii) knowledge and experience in best practice governance structures, policies and processes, risk and compliance frameworks; and
- (iv) legal knowledge and experience to assist the Board on any legal issues to be considered by the Board.

The relevant skills and experience based of the current Board members are set out in the Board skills matrix below. This matrix has been used by the Board to assess the required Board composition especially on selection and recruitment of future Directors. The Board also consider diversity when it recruits members of senior management.

| Skills & experience | No. of Directors |
|--------------------------------|-------------------------|
| Accounting | 3 |
| Business Administration | 3 |
| Economics | 2 |
| Legal | 1 |
| Technical | 1 |

II. BOARD COMPOSITION (CONTINUED)

b) Board and Management Diversity (continued)

The diversity in the race/ethnicity (cultural background), nationality, age and gender in the Board and management are as follows:-

| | Race/Ethnicity | | | | Nationality | |
|------------|----------------|---------|--------|--------|-------------|-----------|
| | Malay | Chinese | Indian | Others | Malaysian | Foreigner |
| Directors | 7 | 2 | 0 | 1 | 9 | 1 |
| Management | 7 | 1 | 0 | 0 | 8 | 0 |

| | Age Group | | | Gender | |
|------------|-----------|---------|--------------------|--------|--------|
| | 40 – 49 | 50 – 59 | 60 years and above | Male | Female |
| Directors | 0 | 4 | 6 | 9 | 1 |
| Management | 5 | 3 | 0 | 7 | 1 |

Practice 4.5 - The Board discloses in its annual report the Company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the Board must have at least 30% women Directors.

In respect of gender diversity, the Company has one (1) woman Director on the Board, short of two (2) from the recommended three (3) by MCCG 2017, where it encourages Large Companies, such as Malakoff to have 30% women Directors on its Board. The appointment of Directors on the Malakoff's Board was made after objective and thorough assessment by the BNRC that he/she have the appropriate skills and experience required to contribute to an effective Board, before their appointments are recommended to the Board.

The BNRC considers the current Board skill mix and composition to have been effective in meeting the business demands of the Group. The BNRC had always placed priority for new Directors joining the Board to have the required skills and competence to contribute to an effective Board above all other factors considered for appointment of Directors. As the current Board composition had been effective, the Board will consider the appointment of women Directors as and when there is a casual vacancy.

Practice 5.1 - The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual Director. The Board should disclose how the assessment was carried out and its outcome.

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

c) Board Evaluation

The Board through the BNRC carries out a yearly Board assessment exercise to evaluate the appropriateness of the Board and Board committees in terms of its size and composition as well as effectiveness. The evaluation is carried out through the feedback obtained from its Board members. Independence of each IDs of the Company is annually assessed to determine that each ID is/was independent throughout the year.

The Board evaluation is based on a combination of self and peer assessment by Board members via customized questionnaires. The Board's responses will be collected and collated by the Company Secretaries on behalf of the BNRC.

Corporate Governance Overview Statement

II. BOARD COMPOSITION (CONTINUED)

c) Board Evaluation (continued)

This year's evaluation, as in the year before, was facilitated by an independent consultant. This interview session conducted by the independent consultant with Directors serves as a moderation exercise to understand the responses made by Board members in their questionnaires and to discuss in confidence, the improvements which they would like to see to increase the Board's effectiveness and cohesiveness. This feedback would then be discussed with the BNRC Chairman and included in the findings and results of the said evaluation exercise. The BNRC upon discussion of the results will present the findings to the Board.

Arising from the findings of the Board evaluation, the Board members will amongst others, understand the gaps in their respective skill matrix and with the assistance of the Corporate Secretarial department, undergo the necessary trainings and continuous improvement programmes. This will enhance their knowledge and skills so that they can contribute effectively as Board members and to keep themselves abreast of the environment in which the business operates.

Practice 4.6 - In identifying candidates for appointment of Directors, the Board does not solely rely on recommendations from existing Board members, management or major shareholders. The Board utilises independent sources to identify suitably qualified candidates.

Practice 4.7 - The Nominating Committee is chaired by an ID or the Senior ID.

Practice 4.8 - The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual Director. The Board should disclose how the assessment was carried out and its outcome. For Large Companies, the Board engages independent experts periodically to facilitate objective and candid Board evaluations.

d) Board Nomination and Remuneration Committee

Nominating Matters

The BNRC was re-constituted as a merged committee of the nominating and remuneration committees of the Board on 23 November 2015 and its authority and duties are contained in its terms of reference, which are available on the Company's website.

The BNRC is chaired by Datuk Haji Hasni Harun, an Independent Non-Executive Chairman with the support of three (3) other NEDs, two (2) of which are IDs. The majority of the BNRC members are IDs. The BNRC held nine (9) meetings during the financial year under review.

The Chairman of BNRC continues to lead the BNRC to assist the Board in fulfilling its responsibilities through the appropriate review of new appointment to the Board, Board composition, Board Charter and policies of the Board composition, Board evaluation process, Board and senior management remuneration and succession planning for NED as well as senior management. It is responsible to recommend the candidates for Chairman, Directors, Executive Directors (if any), CEO and the senior management of the Group by considering the prospective candidates' character, experience, competence, integrity and time commitment, as prescribed by Paragraph 2.20A of the MMLR of Bursa Malaysia.

During the year, the BNRC reviewed and recommended to the Malakoff Board, three (3) new appointments to the Board including the position of Chairman.

II. BOARD COMPOSITION (CONTINUED)

d) Board Nomination and Remuneration Committee (“BNRC”) (continued)

Recommendation on appointment of new Directors and the CEO

During the year, the BNRC had considered and recommended the appointments of three (3) new Directors and the CEO. These candidates were based on recommendations of the major shareholders of the Company.

In the highly specialised industry that the Company operates, the candidates of Directors and the CEO from an independent source might not yield the expected result of bringing suitable candidates to meet the needs of the Company and the expectations of the Board. The reliance of candidates from the Company’s shareholders who better understand the needs and complexity of the Company had enabled the recruitment of suitably experienced Directors and CEO during the year, to complement the current Board members and lead the senior management respectively. Moreover, the recommendation of appointment of Board members and CEO are objectively reviewed by the BNRC which members comprised majority of IDs.

The Board considers candidates from all sources including independent sources so long as it is able to recruit quality and suitable Directors to complement the existing Board composition.

Assessment of suitability of Directors and senior management to comply with Paragraph 2.20A of the MMLR

The BNRC, in assessing the suitability of the above individuals as new Board members and CEO would take into consideration the candidates profiles and career experience to assess whether the appointments could meet the diversity profile of the Company in terms of age, race, gender as well as their educational background and area of discipline. The BNRC had also considered whether the independence requirement of the Board with the MMLR and the MCGG 2017 remained intact with the new appointments.

During the year, the BNRC had also recommended the appointment of the CEO. In assessing the suitability of the CEO, the BNRC Chairman had met with the potential candidate to personally assess his character, experience, integrity and competence for the role. Having satisfied that he possessed the above traits, the Chairman of BNRC together with other members of the BNRC reviewed his career journey and experience and after having satisfied with his qualification, experience and character, recommended his appointment to the Board.

During the year, the BNRC had also assessed the suitability of two (2) Senior Management personnel namely the Chief Financial Officer and the Senior Vice President of Corporate Services Division, who joined the Company as part of corporate structure reorganisation to strengthen its business strategy execution. Both these candidates were considered after receiving favourable referrals by fellow Directors who had experience working with them. The BNRC had also considered and reviewed their career experience before recommending their appointments to the Board.

Nomination of the senior management as nominee Directors on subsidiaries and associate of the Group

The BNRC, under its Terms of Reference, had also reviewed and recommended the nomination of the members of senior management for approval of the Malakoff Board to be the nominee Directors representing Malakoff’s interest in both local and overseas subsidiaries and associates. Their nomination on these boards were matched against their skills and scope of responsibilities against the nature of business of the affected subsidiaries and associate companies. During the year, the BNRC had requested that second and third liners of the Management to be considered as part of pool for selection for nomination as the Company’s nominees for purposes of training and exposure. This exercise will also ensure that the senior management have a balanced portfolio of directorships in the Group as well as providing exposure to talented members of Management.

Corporate Governance Overview Statement

I. BOARD COMPOSITION (CONTINUED)

d) Board Nomination and Remuneration Committee (“BNRC”) (continued)

Evaluation of Directors standing for re-election.

Newly appointed Directors and Directors who are subject to rotation are required to stand for re-election at the next annual general meeting pursuant to the Company’s Constitution. During the year, the BNRC had deliberated and recommended the Directors proposed for re-election before the same is tabled for the Board’s approval. Their re-election is supported by peer review assessment on their performance for the year under review.

Information about each Director standing for re-election including details of their skills, experience and their committee membership is provided in the notice of annual general meeting for shareholders’ information.

Other key activities of the BNRC for the year in relation to nomination matters were summarised as follows:-

- (i) set the Corporate KPIs for the Group;
- (ii) recommended the corporate reorganisation to strengthen the Company’s business strategy execution;
- (iii) recommended the Board tenure policy for IDs of Malakoff for succession planning of the Company’s IDs;
- (iv) reviewed the skills, experience, expertise, diversity and attributes required for the Board to discharge its duties effectively. This includes selection of suitable Board members to be appointed on the standing Board committees of the Company;
- (v) engaged external consultants to facilitate the conduct of performance review of the Board, Board committees and individual Directors; and
- (vi) ensure that an effective Board induction process is in place for the new Director’s benefit.

Practice 6.1 - The Board has in place policies and procedures to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the Company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the Company’s website.

Practice 6.2 - The Board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and Senior Management.

The Committee has written Terms of Reference, which deals with its authority, and duties and these terms are disclosed on the Company’s website.

III. REMUNERATION

Remuneration Matters

The Board has established and maintained 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, CEO, and the Senior Management. The remuneration policies set out an objective remuneration structure for Directors of the Company and the Group, CEO and the Senior Management and enables periodic review of the remuneration packages by the BNRC for Board's recommendation.

The BNRC reviews the overall remuneration policy of the NEDs, CEO and Senior Management. The remuneration policy is aimed at attracting, retaining and motivating 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 NEDs and of the CEO and the Senior Management.

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

- (i) the remuneration structure is sufficient to attract and retain suitable individuals needed to run the Company successfully at the Board as well as the Senior Management levels;
- (ii) rewards are based on the Company's and individual performances, responsibilities, expertise and complexity of the Company's activities;
- (iii) the interests of Directors, Senior Management and our stakeholders are aligned with the business strategy and long-term objectives of our Company; and
- (iv) comparative information obtained from independent remuneration sources within the industry.

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, 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. 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 take into account fees levels and trends for 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, Chairman of a Board committee or as the senior ID.

Their remuneration packages are benchmarked against the market once every three (3) years to ensure that their remuneration packages remain competitive and relevant. The last review exercise was made in 2016 and will be due next year.

The key activities of the BNRC for the year in relation to the remuneration matters were summarised as follows:-

- (i) recommended the bonus pool for the Group based on the achievement of the Corporate KPIs and the annual salary increment and bonus quantum for the Group as well as the CEO and his target group;
- (ii) recommended the salary package of the CEO;
- (iii) recommended the salary package for the two (2) new Senior Management personnel who joined the Company; and
- (iv) recommended the policy for the acting allowance for the CEO.

Corporate Governance Overview Statement

III. REMUNERATION (CONTINUED)

Practice 7.1 - There is detailed disclosure on named basis for the remuneration of individual Directors. The remuneration breakdown of individual Directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Practice 7.2 - The Board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Practice 7.3 - Step up: Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Details of each Directors' remuneration for the financial year ended 31 December 2017 are set out below:

FORMER GROUP MANAGING DIRECTOR ("GMD")/EXECUTIVE DIRECTOR ("ED")

| Director | Salaries* | | Other Emoluments* | | Meeting Allowances | | Other Allowances* | Estimated Monetary Value of Benefits-in-Kind | Total |
|---|---------------------|-------------------|-------------------|----------|--------------------|---------------|-------------------|--|-------|
| | (RM) | (RM) | (RM) | (RM) | (RM) | (RM) | | | |
| | | Company | Subsidiaries | Company | Subsidiaries | | | | |
| Datuk Wira Azhar Abdul Hamid (resigned on 30 June 2017) | 1,155,060.00 | 117,336.00 | 0 | 0 | 0 | 37,500 | 0 | 1,309,896.00 | |
| Total for ED | 1,155,060.00 | 117,336.00 | 0 | 0 | 0 | 37,500 | 0 | 1,309,896.00 | |

* Salaries, other emoluments and allowances were paid to the former GMD as per his employment remuneration package

III. REMUNERATION (CONTINUED)

NON-EXECUTIVE DIRECTORS (“NED”)

| Directors | Directors' fees | Other Emoluments (Board committee fees and Subsidiaries Chairman's allowance) | | Meeting Allowances | | Other Allowances ¹ | Estimated Monetary Value of Benefits-in Kind | Total |
|--|---------------------------------|--|-------------------------|------------------------|----------------------|-------------------------------|--|---------------------|
| | (RM) | (RM) Company | (RM) Subsidiaries | (RM) Company | (RM) Subsidiaries | (RM) | (RM) | (RM) |
| Datuk Haji Hasni Harun (Chairman) (appointed on 20 June 2017) | 190,000.00 | 19,000.00 | – | 20,500.00 | – | 25,000.00 | 19,784.00 ² | 274,284.00 |
| Dato' Sri Che Khalib Mohamad Noh | 90,000.00 ³ | 8,710.00 ³ | 112,500.00 ⁴ | 39,000.00 ³ | 400.00 | 5,000.00 | – | 255,610.00 |
| Cindy Tan Ler Chin | 90,000.00 ⁵ | 24,000.00 ⁵ | – | 44,000.00 | – | 25,000.00 | – | 183,000.00 |
| Datuk Dr. Syed Muhamad Syed Abdul Kadir | 90,000.00 | 96,000.00 | – | 80,000.00 | – | 5,000.00 | – | 271,000.00 |
| Datuk Idris Abdullah | 90,000.00 | 90,000.00 | – | 75,000.00 | – | 50,000.00 | – | 305,000.00 |
| Datuk Ooi Teik Huat | 90,000.00 | 30,000.00 | – | 49,500.00 | – | 25,000.00 | – | 194,500.00 |
| Dato' Wan Kamaruzaman Wan Ahmad | 90,000.00 | – | – | 25,000.00 | – | 25,000.00 | – | 140,000.00 |
| Kohei Hirao | 90,000.00 | – | – | 30,000.00 | – | 25,000.00 | – | 145,000.00 |
| Datuk Seri Johan Abdullah (Appointed on 29 May 2017) | 53,226.00 | – | – | 12,500.00 | – | – | – | 65,726.00 |
| Datuk Rozimi Remeli (Appointed on 16 October 2017) | 18,870.00 | – | – | 7,500.00 | – | – | – | 26,370.00 |
| Zalman Ismail (Alternate director Dato' Wan Kamaruzaman) | – | – | – | 5,000.00 ⁶ | – | – | – | 5,000.00 |
| Resigned directors:- | | | | | | | | |
| Y.A.M Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman) (resigned on 20 June 2017) | 170,000.00 | 17,000.00 | – | 32,500.00 | – | 45,075.00 | 60,485.35 ⁷ | 325,060.35 |
| Datuk Muhamad Noor Hamid (resigned on 31 August 2017) | 60,000.00 | 32,000.00 | – | 47,500.00 | – | 8,576.60 | – | 148,076.60 |
| Tan Sri Dato' Seri Alauddin Dato' Md Sheriff (resigned on 16 October 2017) | 71,130.00 | 23,710.00 | – | 42,000.00 | – | 25,000.00 | – | 161,840.00 |
| Total for NED | 1,193,226.00⁸ | 340,420.00⁸ | 112,500.00 | 510,000.00 | 400.00 | 263,651.60 | 80,269.35 | 2,500,466.95 |

Corporate Governance Overview Statement

III. REMUNERATION (CONTINUED)

Notes:

1. Other allowances paid by Malakoff to the NEDs comprising annual leave passage & annual supplemental fees (includes FY2016 claims paid in FY2017).
2. Benefits-in-kind paid to the Chairman of Malakoff comprising company car, petrol and utilities.
3. Directors' fees, Board committee fees and meeting allowances are shared on an equal basis between the NED and MMC Corporation Berhad (which nominated the NED on the Board).
4. Subsidiaries Chairman's allowances payable by the subsidiaries for the months of January & February 2017 to a NED of Malakoff who was serving as the chairman of the subsidiaries. He resigned from the subsidiaries on 2 June 2017.
5. Directors' fees and Board committee fees are shared on an equal basis between the NED and Employees Provident Fund (which nominated the NED on the Board).
6. Meeting allowance will be paid to the alternate Director for his attendance at Board meetings in the absence of Dato' Wan Kamaruzaman Wan Ahmad.
7. Benefits-in-kind paid to the former Chairman of Malakoff comprising medical reimbursements, company car, company driver, petrol and utilities.
8. Total Directors' fees and Board Committee fees payable to the NEDs at the Company level and former NEDs in 2017.

Top five (5) Senior Management by total remuneration value as at 31 December 2017

Remuneration paid to the top five (5) Senior Management personnel for the financial year ended 31 December 2017 are as follows:-

| Top Five (5) Senior Management personnel's remuneration value (not including Executive Director) | Number of Senior Management |
|---|--------------------------------|
| RM700,001 – RM750,000 | 1 |
| RM750,001 – RM800,000 | 2 |
| RM850,001 – RM900,000 | 1 |
| RM1,000,000 and above | 1 |
| Total | 5 |

The remuneration value above is computed on an aggregate basis, taking into account the relevant personnel's salary, allowances, bonus, benefits-in-kind and other emoluments. At this juncture, the Company is of the view that it would not be in the best interest of the Company to make detailed disclosure of each key Senior Management personnel's remuneration on a named basis. In view of the competitiveness in the employment market and as part of the Company's efforts in attracting and retaining executive talents, the Company would like to maintain the confidentiality of the individual remuneration details.

The Board ensures that the remuneration of Senior Management is fair and commensurate with the performance of the Company and the contributions made by the Senior Management, but at the same time it is able to attract, retain and motivate the Senior Management to excel in their respective roles.

IV. 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 the new regime of the Companies Act, 2016, MCGG 2017 and the amendments to the MMLR of Bursa Malaysia.

At the beginning of the year, the BNRC had carried out a Board matrix competency exercise for each member of the Board as part of the Board evaluation exercise. This exercise is targeted to identify key areas of improvement for each of the Directors and their respective training needs to bridge their respective competency gaps.

IV. DIRECTORS' TRAINING (CONTINUED)

The Chairman through the Company Secretaries had considered the current development of regulations and practices which impact the Company as well as the Directors, and had accordingly organised an in-house training for the Board members entitled "Update on MCCG 2017 and the MMLR of Bursa Malaysia" during the year. Regular updates on training programmes from various organisations were also circulated to the Directors for their consideration for selection and participation. The continuing education programme includes the briefing by industry analysts at the annual strategy meeting between the Board and the management.

In compliance with Paragraph 15.08(3) and Appendix 9C (Part A, paragraph 28) of the MMLR of Bursa Malaysia, all Directors (during the financial year ended 31 December 2017) had attended at least one training session. The summary of the training programmes attended by our Directors are listed below:-

| Name of Director | Conference/Training Programme Attended | Date |
|--------------------------------------|--|---------------------|
| Datuk Haji Hasni Harun (Chairman) | Cyber Security Board Awareness Session – Cyber Security from the Front Line | 30 August 2017 |
| | Insights into the Energy Transition – Presentation by Bloomberg | 16 October 2017 |
| | Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia | 3 November 2017 |
| | Malaysian Institute of Accountants International Accountants Conference 2017 | 7 – 8 November 2017 |
| Dato' Sri Che Khalib Mohamad Noh | Panelist for Majlis Perundingan Melayu Townhall entitled Belt & Road Initiative: Impak ke atas Agenda PPEB | 17 February 2017 |
| | Indah Water Konsortium ("IWK") Retreat: Sesi Sumbang Saran – Hala Tuju Industri Pembangunan Nasional | 14 April 2017 |
| | Cyber Security Board Awareness Session | 6 June 2017 |
| | Invest Malaysia 2017: "Malaysia at 60: Maximising Potential" | 25 – 26 July 2017 |
| | Insights into the Energy Transition – Presentation by Bloomberg | 16 October 2017 |
| | Speaker: IWK Innovation Month: Innovation in Business – The MMC and TNB Experience | 17 October 2017 |
| | Malaysian Institute of Accountants Conference 2017: Expanding Horizons. Be Future Relevant | 7 November 2017 |
| | The Impact of Companies Act 2016 on Corporate Governance 2017 and Directors' Duties | 13 November 2017 |
| Cindy Tan Ler Chin | Cyber Security Board Awareness Session – Cyber Security from the Front Line | 30 August 2017 |
| | Insights into the Energy Transition – Presentation by Bloomberg | 16 October 2017 |
| | Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia | 3 November 2017 |
| Datuk Ooi Teik Huat | Cyber Security Board Awareness Session | 26 July 2017 |
| | Insights into the Energy Transition – Presentation by Bloomberg | 16 October 2017 |
| | Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia | 3 November 2017 |
| | The Impact of Companies Act 2016 on Corporate Governance 2017 and Directors' Duties | 13 November 2017 |
| Datuk Idris Abdullah | Cyber Security Board Awareness Session – Cyber Security from the Front Line | 30 August 2017 |
| | Insights into the Energy Transition – Presentation by Bloomberg | 16 October 2017 |
| | Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia | 3 November 2017 |

Corporate Governance Overview Statement

IV. DIRECTORS' TRAINING (CONTINUED)

| Name of Director | Conference/Training Programme Attended | Date |
|--|---|---|
| Datuk Dr. Syed Muhamad Syed Abdul Kadir | Khazanah Annual Briefing | 3 February 2017 |
| | Panelist at the Islamic Finance for Board of Directors (IF4BOD) Programme | 15 – 16 February 2017 |
| | Bank Negara Malaysia Annual Report 2016 / Financial Stability and Payment Systems Report 2016 Briefing Session | 23 March 2017 |
| | The Future Chief Executive Officer (“CEO”) Programme | 25 March 2017 |
| | CEO Faculty Talk on “Company Law” | 26 March 2017 |
| | The Future CEO Programme | 6 May 2017 |
| | Capital Market Directors Programme | 15 – 17 May 2017 |
| | SIDC-IMD 3rd series: Innovation in the Financial Sector – Where the World Will Be, How to Get There? | 23 May 2017 |
| | Islamic Finance for BOD Programme | 11 – 13 July 2017 |
| | CEO Faculty Programme | 15 July 2017 |
| | Speaking for Malaysian Directors Academy-Razak School of Government (“MINDA-RSOG”) International Directors’ Summit | 22 August 2017 |
| | Cyber Security Board Awareness Session – Cyber Security from the Front Line | 30 August 2017 |
| | Briefing on Companies Act 2016 for Directors of CIMB-Principle Asset Management & CIMB-Principle Islamic Asset Management | 19 September 2017 |
| | CEO Faculty Programme | 7 October 2017 |
| | Insights into the Energy Transition – Presentation by Bloomberg | 16 October 2017 |
| | MINDA’s Power Talk with Capten Peter Jahne | 24 October 2017 |
| | Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia | 3 November 2017 |
| | ICLIFF session on Mindfulness – A Critical Source of Leadership Energy | 17 November 2017 |
| | Mentoring session for Women Directors Mentoring Programme 2017 | 8 December 2017 |
| | CEO Faculty Programme | 9 December 2017 |
| Dato’ Wan Kamaruzaman Wan Ahmad | Sustainability Conference & Association of Chartered Certified Accountants Malaysia Sustainability Reporting Awards Presentation Ceremony | 10 January 2017 |
| | Global Transformation Forum | 22 – 23 March 2017 |
| | Champion Training – Lean Sigma for Leaders | 6 July 2017 |
| | International Corporate Governance Network Annual Conference 2017 | 10 – 13 July 2017 |
| | The Global Institute for Leadership Development Programme | 17 – 21 July 2017 |
| | Principles for Responsible Investment in Person | 26 – 27 September 2017 |
| | Khazanah Megatrends | 2 – 3 October 2017 |
| | World Pension Summit 2017 | 25 – 26 October 2017 |
| | KWAP Teambuilding Program 2017 | 3 – 5 November 2017 |
| | Environmental, Social and Governance Awareness Campaign | 6 November 2017 |
| | Malaysia Digital Economy Corporation’s Ideas Xchange Forum | 14 December 2017 |
| | Kohei Hirao | Insights into the Energy Transition – Presentation by Bloomberg |
| Corporate Directors’ Advanced Programme: Updates on Companies Act 2016 and its implications to directors and the new Malaysian Code on Corporate Governance 2017 | | 26 October 2017 |

IV. DIRECTORS' TRAINING (CONTINUED)

| Name of Director | Conference/Training Programme Attended | Date |
|---------------------------|--|-----------------------------------|
| Datuk Seri Johan Abdullah | Multaqa Pendidikan & Sosial, Majlis Perundangan Islam | 28 February 2017 |
| | A Private Event: An Evening with Sir Michael Barber | 23 March 2017 |
| | KWAP CONNECTS 2017: Networking & Corporate Luncheon | 1 August 2017 |
| | Insights into the Energy Transition – Presentation by Bloomberg | 16 October 2017 |
| | TH Transformation Workshop – Roland Berger | 22 November 2017 |
| | Fintech Training Session | 24 November 2017 |
| | Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia | 3 November 2017 |
| Datuk Rozimi Remeli | Insights into the Energy Transition – Presentation by Bloomberg | 16 October 2017 |
| | Update on Malaysian Code on Corporate Governance 2017 and the Main Market Listing Requirements of Bursa Malaysia | 3 November 2017 |
| Zalman Ismail | Index Training & Pension Fund Mandate Structuring | 19 April 2017 |
| | Champion Training – Lean Sigma for Leaders | 6 July 2017 |
| | International Corporate Governance Network Annual Conference 2017 | 11 – 13 July 2017 |
| | 2017 Private Equity Forum – AVCJ, Kuala Lumpur | 19 September 2017 |
| | MSCI US Institutional Investors Conference, Sacramento, California, United States | 4 – 5 October 2017 |
| | Building High Performance Directors 2.0 – Organisational Sustainability by MINDA – JKSB, Osaka, Japan | 30 October 2017 – 2 November 2017 |

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Practice 8.1 - The Chairman of the Audit Committee is not the Chairman of the Board.

Practice 8.2 - The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Practice 8.4 - Step up: The Audit Committee should comprise solely of Independent Directors.

I. BOARD AUDIT COMMITTEE (“BAC”)

With the introduction of MCCG 2017 which has, amongst others, emphasized the effectiveness and independence of the audit committee, the Company's BAC provides an additional assurance and oversight relating to financial reporting process, internal controls, risk management and governance for the Group due to the substantial amount of risk and compliance matters that stem from operating in this highly regulated industry.

The BAC is led by its Chairman, Datuk Dr. Syed Muhamad Syed Abdul Kadir, an INED (who is not the Chairman of the Company) and the majority of its members are IDs. The BAC had recently revised the Terms of Reference (“TOR”) of BAC

to amongst others provide that if a former key audit partner is appointed, he will need to observe a cooling-off period of at least two (2) years before being appointed as a member of the BAC. All members of the BAC are not former key audit partners.

Practice 8.5 - Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

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

One of the BAC members is a member of the Malaysian Institute of Accountants (“MIA”) and the Certified Public Accountants (“CPA”) of Australia thus fulfilling the requirement under paragraph 15.09(1)(c)(i) of the MMLR of Bursa Malaysia which requires at least one (1) of the BAC members to be a member of the MIA. Nevertheless, each of the BAC members is financially literate per the definition suggested by the Corporate Governance Guide 3rd Edition 2017, including but not limited the following:-

- i) has the ability to read and understand financial statements;

Corporate Governance Overview Statement

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

I. BOARD AUDIT COMMITTEE (“BAC”) (CONTINUED)

- ii) has the ability to understand and assess the general application of accounting principles and apply a critical view on the underlying assumptions;
- iii) has the ability to analyse financial statements and challenge management’s assertions on financials;
- iv) has the awareness of, and familiarity with, new financial reporting standards and how they impact the Company’s financial performance which enable the BAC members to ask pertinent questions;
- v) has the ability to assess the effectiveness of the audit process and the Company’s finance functions in generating reliable and timely financial information; and
- vi) has the ability to ask probing questions about the Company’s operations against internal controls and risk factors.

Under the Corporate Governance Guide 3rd Edition 2017, it had been recommended that continuous development programmes for BAC members to be in four areas namely core functions, skills development, role and purpose of the audit committee and topical updates. During the financial year under review, the BAC members had attended trainings for their continuous professional development to keep themselves abreast with the relevant development in the market which included trainings focusing on the core functions and topical updates such as MCCG 2017, the impact of new CA 2016 on the MCCG 2017 and Directors’ duties as well as other topics on cyber security, energy transition, capital market and Islamic financing.

Practice 8.3 - The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

The BAC does a yearly assessment of the services rendered by the external auditors (“EA”) and had during the year undertaken an annual assessment of the quality of audit encompassing the performance of KPMG, the Quality Processes/Performance of the Engagement Team, Audit Team’s Independence, Objectivity and Professional Scepticism, Audit Scope and Planning, Audit Fees and Audit Communication and Interaction. Assessment questionnaires were also used as a tool to obtain inputs from each of the BAC members and the management.

The independence of the EA is maintained through a non-audit services policy approved by the Board on 23 May 2017. Under this policy, the approval of the BAC is required for the engagement of the Group’s EA for non-audit services, if the cumulative non-audit fees for the year reaches 50% of prior

year’s audit fees (which included the fees for limited quarterly review). During the financial year under review, KPMG had provided a written assurance to the BAC that they had been independent throughout the audit engagement for FY2017 in accordance with the terms of all relevant professional and regulatory requirements. The management had also ensured that the necessary safeguards were in place when engaging KPMG to carry out non-audit services for the Group.

Details on the BAC are also elaborated on the BAC Report which appears on pages 112 to 117 of this Annual Report.

Practice 9.1 - The Board should establish an effective risk management and internal control framework

Practice 9.2 - The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Practice 9.3 - Step up: The Board establishes a Risk Management Committee, which comprises a majority of IDs, to oversee the company’s risk management framework and policies.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

a) Board Risk and Investment Committee (“BRIC”)

The BRIC comprises three (3) NEDs whose members are majority IDs. The BRIC is established to primarily oversee the risk management activities of the Malakoff Group and to support the Board in fulfilling its responsibility for identifying significant risks and ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group.

In November 2016, to reflect its additional responsibility to review and recommend investment proposals by the management, the Board Risk Committee was renamed as BRIC. Under this new purview, the Board had delegated BRIC the authority to review and recommend the Group’s major investments which include bidding for binding tenders/contracts for new power and water generation projects and assessing the key associate risks including funding options and costs as well as returns of such investment in accordance with the Group’s Investment Guideline and Policy.

b) Risk Management and Internal Control Framework

The Enterprise Risk Management Policy & Framework (“ERMPF”) ensures a structured risk management process is adopted across the Group. This will enable the Group to identify potential risks and to implement the necessary controls to mitigate the risks and effectively achieve the Group’s business objectives.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

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

Details of the Company's risk management framework and internal control system are set out in the Statement on Risk Management and Internal Control on pages 104 to 111 of this Annual Report.

Practice 10.1 - The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Practice 10.2 - The Board should disclose

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

Internal Audit function

The Group Internal Audit ("GIA") was established to support the Board through the BAC in discharging its duties and governance responsibilities of maintaining a sound internal control system within the organisation. The internal audit function is considered an integral part of the assurance framework and GIA's mission is to provide an independent and objective assurance on governance, risk management and control processes designed to improve and add value to the Group.

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

The standards and practices adopted by GIA are aligned to the International Professional Practices Framework ("IPPF") issued by the Institute of Internal Auditors ("IIA"). As at 31 December 2017, the total

number of personnel in GIA was nine (9) including the Chief Internal Auditor. The name, credential and work experience of the Chief Internal Auditor of GIA is shown on page 31 of this Annual Report.

Details of the internal audit function and activities are presented in the BAC Report on pages 116 to 117 of this Annual Report.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER

Practice 11.1 - The Board ensures there is effective, transparent and regular communication with its stakeholders.

I. COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS OR INVESTORS

The Board encourages continuous disclosure and communication of information to its stakeholders and facilitates information exchange platform to support effective engagement of stakeholders by the Company. Information is communicated to shareholders and other stakeholders of the Company through Malakoff's website, announcements released to Bursa Malaysia, press release, interactive session with investors at meetings/briefing/site visits, annual reports and other means where applicable. This is essential to strengthen the relationship of the Company with the stakeholders in realising long-term values of the Company and enhancing shareholders' value.

The Company's website provides stakeholders and the investors at large with a wide range of information about the Company and its activities including corporate information, company policies & procedures, history, strategies, important operation updates, media releases, investor presentations, shareholdings, quarterly and full year financial results, outcome of general meetings and sustainability practices. Regular updates on the information is posted on the Company's website for the stakeholders' and interested investors' reference.

The Board also believes that Annual Report is important to the shareholders and the stakeholders of the Company as it provides them with accurate 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. This will also prepare the shareholders with sufficient information to deliberate and approve the proposed resolutions tabled at the annual general meeting.

Corporate Governance Overview Statement

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER (CONTINUED)

I. COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS OR INVESTORS (CONTINUED)

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

Being one of the Company's efforts to promote effective engagement with shareholders or public at large, the Company has made available the relevant investors information for review on the Company's corporate website at www.malakoff.com.my under the Investor Relations section 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' or investors' enquiries from time to time.

In brief, mediums of communication between the Company and its shareholders or investors can be summarised as follows:

- (i) the disclosure of full and timely information on the Group's major developments pursuant to the MMLR of Bursa Malaysia;
- (ii) information of the Group's activities or press releases made available on the Company's website;
- (iii) all announcements released to Bursa Malaysia and uploaded onto the Company's website;
- (iv) physical forums for interactive exchange between the Company's Senior Management and investors at meetings, briefings and site visits;
- (v) electronic mail service as a quick and convenient means for receiving all related communications electronically especially in relation to matters on general meetings and annual report of the Company.

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

Practice 11.2- Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Integrated reporting based on a globally recognised framework.

For financial information which is a key in its investment decisions, the Company had started implementing initiatives of the International Auditing and Assurance Standards Board and introduced the reporting of Key Audit Matters ("KAM") by the EA. Information in the MD&A includes an overview of the group's business and operations; discussion and analysis of the financial results and financial condition; review of operating activities; discussion on identified and anticipated or known risks; and forward-looking statements comprising trends and the inclusion of the business review.

In addition, company with experience in sustainability reporting is in a better position to adopt integrated reporting, as it is more likely to have established the necessary systems, controls and assurance processes to ensure the quality of non-financial data is able to support and comply with the integrated reporting requirements. As this is the second year of practicing sustainability reporting, the Company is currently at the stage of data collection for non-financial reporting and it is foreseeable that it will take some time to reach maturity before adopting integrated reporting.

Once the level of maturity of non-financial reporting practices is adequate and able to comply with global recognised integrated reporting standards, the Company will implement this as soon as it is practicable.

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

Practice 12.1 - Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Practice 12.2 - All Directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Practice 12.3 - Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate –

- (i) **voting including voting in absentia (shareholding exercising their voting rights without physically present at General Meetings); and**
- (ii) **remote shareholders' participation at General Meetings**

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDER (CONTINUED)

II. CONDUCT OF GENERAL MEETINGS

a) Shareholder participation at general meetings

General meeting serves as a principal platform for the Board and Senior Management to engage with shareholders and encourage effective shareholders' communication on the Company's performance, corporate and business developments and any other matters affecting shareholder interests. The Company Secretaries, by order of the Board, served a notice of annual general meeting to all shareholders of the Company at least 28 days prior to its forthcoming Twelfth Annual General Meeting ("12th AGM") to provide the shareholders sufficient time to consider the proposed resolutions that will be discussed and decided at the 12th AGM. Notice of the 12th AGM clearly sets out details of the resolutions proposed accompanying with explanatory notes on the rationale of each resolution to enable the shareholders to make informed decision in exercising their voting rights.

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

The general meeting also serves as an avenue for the Chairman and the Board members to engage in a two-way communication with shareholders where the shareholders are encouraged to participate in the question-and-answer session with the Board personally and exercise their right to vote on the proposed resolutions. The Board will ensure the presence of all Board members, particularly the chairperson of each Board committee to facilitate engagement with shareholders and to address any relevant questions and concerns raised by the shareholders. The EA will be present at the AGM to highlight KAM for the attention of the shareholders, respond to any queries from shareholders 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.

For the time being, the facility for voting in absentia is not available as the Board considers the venue of the AGM to be accessible with good transportation network. In the unlikely event that the general meeting is held at a remote location, the Company will consider leveraging on the technology to encourage shareholders' participation.

b) Poll voting

In compliance with 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 have been put to vote by way of polling. The Company conducted its last AGM and EGM during the year by electronic voting via handheld device and polling station respectively. An independent scrutineer, who is not the officer of the Company or its related corporation and independent of the person undertaking the polling process, was appointed to validate the polling process as well as the votes cast at the said general meetings. The outcome of voting on the proposed resolutions was released via Bursa Link to the public at large and uploaded to the Company's website after the general meetings.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Board has given its assurance that the financial statements are prepared in accordance with the requirements of Companies Act 2016, Malaysian Financial Reporting Standards and International Financial Reporting Standards to give a true and fair view of the financial position of the Group and of the Company and their financial performance and cash flows for the financial year ended 31 December 2017.

The Directors' Report for the audited financial statements of the Company and the Group is outlined on pages 120 to 123 of this Annual Report together with the details of the Company and the Group financial statements for the financial year ended 31 December 2017 which are set out on page 124 to 226 of this Annual Report.

COMPLIANCE STATEMENT BY THE BOARD ON THE CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

This Statement has been presented to and approved by the Board at its meeting held on 8 March 2018.