

SUSTAINABILITY STATEMENT

At Malakoff, we are committed to forge partnerships to improve power and water access, efficiency and sustainability, creating value for our multiple stakeholders through positive environmental, social, governance (“ESG”) impact. As we embark on our sustainability roadmap, we will work with our people, improve on our processes and capitalise on technology to define clear sustainability goals and targets, creating long-term equity and impact.





Sustainability Commitment

“As a leading regional independent power and water producer, we understand the importance of energy and water in the context of economic development, social progress and environmental good. It takes strong business commitment, long-term investments in technology and policy support towards shaping a world that is powered by sustainable energy and water.”

DATO' AHMAD FUAAD KENALI

Chief Executive Officer

Globally, guided by the UN's Sustainable Development Goals, governments and organisations are working towards reducing energy intensity, mainly contributed by improved efficiencies, especially in industrial and transportation sectors. Some of the efforts to reduce energy emissions include adoption of clean technologies, the imminent shift to renewables and introduction of innovative product and policy solutions. The coordinated and consolidated efforts across the world are expected to limit the rise in global temperature at 2 degrees Celsius. Malaysia has also pledged for a voluntary reduction of up to 40% of emissions intensity per unit of GDP by the year 2020 compared to her emission levels in 2005. In trying to meet this target, Malaysia continuously review the National Energy Policy to ensure secure, reliable, cost-effective and sustainable energy. Most recently, the government has moved from its four-fuel to five-fuel policy, to include RE along with oil, gas, coal, and hydro. The Eleventh Malaysia Plan (11MP) has also set an ambitious target to build the RE capacity to 2,080 MW by 2020. Globally, scalability and affordability of renewable energy are improving due to advancement in technology. The European utilities are moving away from coal even during the time when coal prices are going down. Of late, banks and long term investors such as pension funds are becoming more selective towards environmental friendly products and services. Due to rapid advancements in technology, Solar PV, wind (onshore) and biomass project tariffs are getting as competitive as conventional plants.

Against this backdrop, we believe that our role as a credible power and water producer is even more critical to not only support the aspirations of the government, but to also accelerate our efforts towards improving our energy-mix and energy efficiencies, while closely reviewing at our operations in all our key markets to effectively manage our ESG impacts. Towards this end, our commitment will go beyond embracing sustainable business practices. We will work with our stakeholders including authorities, investors, partners, service providers, employees and communities to adequately meet the present needs of power and water. We will also take greater responsibility to ensure that our current actions will positively contribute towards improving access to affordable, reliable, sustainable and modern energy for the future generations.

Moving forward, we will continuously identify and capitalise on common synergies, strengths and resources to integrate sustainability into our day-to-day business operations and behaviour. Our end objective is to improve our operational efficiencies and deliver long-term growth and value for all our stakeholders.

Our second Sustainability Statement (“the Statement”) documents various policies, programmes and commitments in relation to our ESG impacts. The Statement also outlines our approach to improving and growing our business operations in a responsible and sustainable manner, with unwavering commitment to our stakeholders and other interested parties.

About This Report

The contents of this 2017 Sustainability Statement is based on the Bursa Malaysia Securities Berhad Main Market Listing Requirements and in accordance with Global Reporting Initiative ("GRI") Standards: Core Option. This is the first time we are adopting the GRI Standards as a guiding principle in our reporting framework, which allows us with a greater flexibility and transparency to report our materiality. This is a year of transition as we build linkages from G4 to GRI Standards and move towards a clearer defined plan in our sustainability journey.

Point of contact for queries and feedback:

Group Corporate Strategy
Malakoff Corporation Berhad

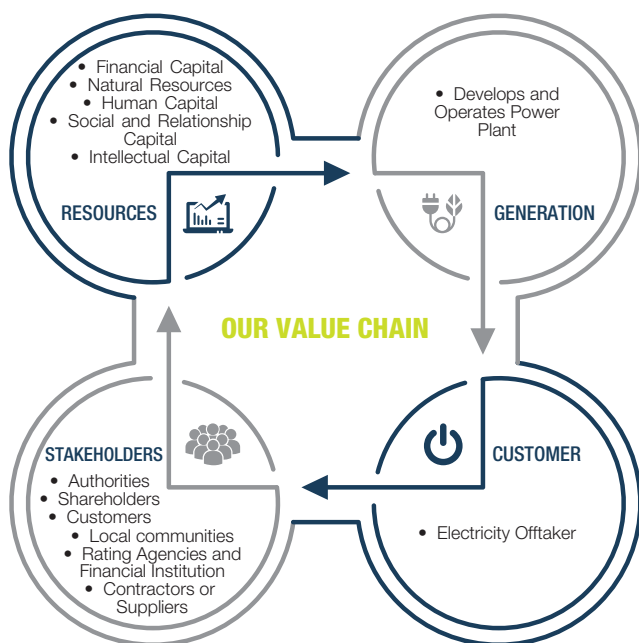
Address:

Level 12, Block 4,
Plaza Sentral, Jalan Stesen Sentral 5,
50470, WP Kuala Lumpur, Malaysia.

Email: sustainability@malakoff.com.my

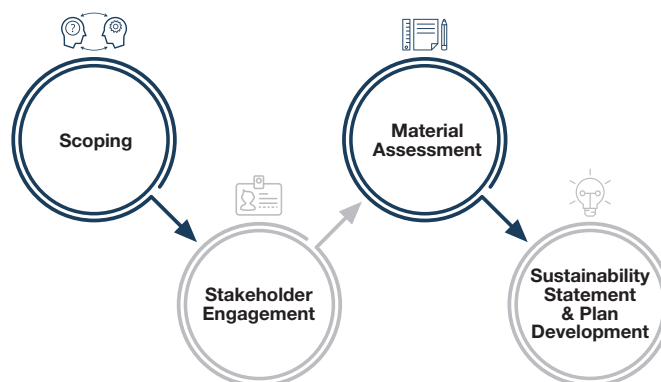
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The Statement reports activities and performance indices limited to Malakoff Corporation Berhad's power generation in Malaysia for the financial year ended 31 December 2017. We have included disclosures on 28 material topics or issues of interest. Our aspiration is to expand the scope of reporting to all our international operations as well as to include them in our value chain. Hence, implementing sustainable policies and setting targets for our international operations are not within our immediate working scope.

The Annual Report 2017 and Sustainability Statement together provide a transparent account of our financial, operational and sustainability disclosures for the year under review. The following illustration summarises the guiding principles applied in preparing this Sustainability Statement:



We initiated the process of reporting by defining the scope in terms of geographical, operational and organisational boundaries, which in turn help us determine the resources, stakeholder involvement and the material topics which can be reviewed. This in itself is a critical process as it sets the tone and determines the quality of the overall reporting.

Our next important step is the process of stakeholder engagement, which includes the identification, prioritisation, approach and execution to solicit meaningful feedback and address various stakeholder concerns and expectations. Based on these, we conduct a material assessment of the top issues of interest or topics, which are then compared with the internal organisational priorities. Each of the topics are assessed and rated to determine their significance to the Group as well as to the stakeholders.

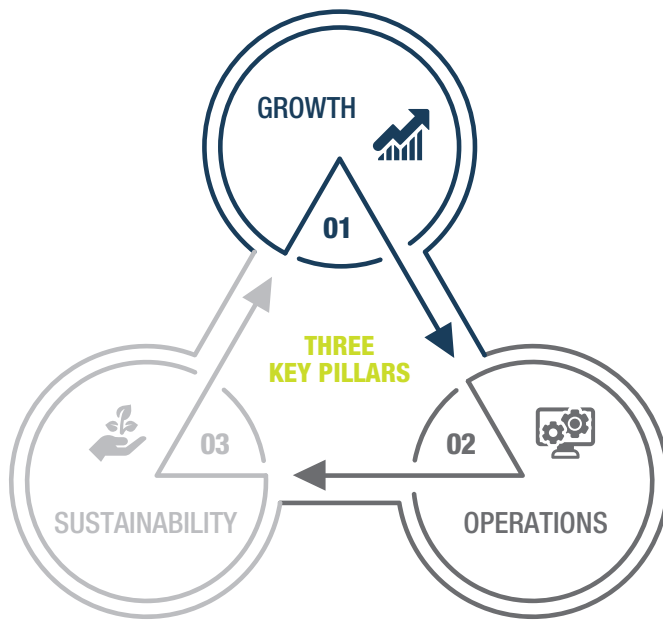
Subsequently, we develop the Sustainability Statement and Plan for the Group to review, implement and monitor, where applicable.

Sustainability Statement

OUR APPROACH TO SUSTAINABILITY

Our commitment to sustainable development is evident at all levels of our organisation. A clear goal and vision to improve underlines our efforts. At the leadership level, our Board of Directors and Senior Management recognise the importance of pursuing the sustainability agenda. In 2017, the Board of Directors discussed and approved our 5-Year Strategic Business Plan, which now has three key focus areas or pillars - Growth, Operations and Sustainability. We believe that the financial performance and business excellence are pre-requisites to building a sustainable business for the future. We measure our success beyond financial targets and place great emphasis on the impact our business has on communities as well as the environment.

The 5-Year Strategic Business Plan and its three key pillars:



Sustainable growth is crucial to ensure our long-term business viability. Operational excellence through best practices and technology interventions is a must for improving efficiencies. And sustainability is essentially about our responsibility towards the overall health of the organisation, in terms of financial, operational and the human aspects of our business. Our focus on these three pillars will help monitor and manage our environmental, social, and governance impacts.

Our sustainability approach is linked to the Group's risk management stewardship which can be found in the Statement on Risk Management and Internal Control section of this Annual Report.

We engage with industry professionals including organisations and experts to share knowledge, information, experience and best practice, as well as to stay abreast of current and emerging developments, trends and opportunities for our business. Malakoff is a member of Penjanabebas, an association of IPPs in Malaysia.

Although we often adopt international standards and practices, we do not easily endorse international charters and principles due to the fact that we take these initiatives very seriously and do not adopt them unless we are certain we can meet all the relevant criteria or requirements. Even if we do not officially adopt them, we would use or reference best practices from such charters to continuously improve.

SUSTAINABILITY GOVERNANCE

In 2017, we formalised a sustainability-related function under our new Group Corporate Strategy. The new function is responsible to strategise and implement the Group's sustainability agenda and roadmap. The function works closely with the Sustainability Working Group ("SWG"), which was formed in 2016 and is led by the Chief Strategy and Investment Officer. The SWG reports directly to the Chief Executive Officer, who is responsible for setting the overall direction for sustainability matters, supervision of the day-to-day implementation and for endorsing the annual Sustainability Statement.

In 2017, the SWG focused on strengthening the governance of sustainability function, by initiating efforts to:

- Further refine and formalise sustainability framework for the Group;
- Review the existing Malakoff's stakeholder engagement process;
- Review the materiality assessment to reprioritise sustainability matters; and
- Evaluate and determine sustainability-related targets and indicators.

To improve the quality of our reporting, the SWG has successfully completed specialised training, which has also helped equip the team with knowledge and skills to develop the sustainability statement independently. The training also served as an orientation for SWG members on various trends and standards in sustainability, locally and globally.

DISCLOSURE AND EXTERNAL ASSURANCE

In the second year of our sustainability reporting, we have focused on building our capacity in the areas of sustainability, by setting-up a formal function and identifying the resources to strengthen our foundation, before we move to the next level of strategy and implementation.

Our 2017 Sustainability Statement has not been submitted or reviewed for external assurance. However, we have benchmarked our reporting framework with some of the industry best practices and ensured that it is in line with Bursa Malaysia's reporting guidelines.









STAKEHOLDER ENGAGEMENT

At Malakoff, stakeholder engagement is not an isolated or an annual exercise. We continuously seek opportunities to engage with our diverse stakeholders, mainly to gain an external

perspective on various aspects of our business and growth. Our proactive approach to seek feedback and understanding the expectations of our stakeholders, equips us with new insights, which are then transformed into new ideas and solutions.

As the Group's businesses and markets evolve, we find ourselves engaging with a growing number of diverse stakeholder groups. Continuous engagement gives us real-time data making it possible for us to respond to different issues and changing expectations in real-time. Our engagement strategy is simple, and is premised on the need to build trust and strengthen our relationships.

While the process of engaging with all the stakeholders may be resource-intensive and inefficient, we have institutionalised various platforms to keep the dialogue and feedback mechanism going throughout the year. In 2017, we have identified and prioritised the stakeholders as indicated in the following table:

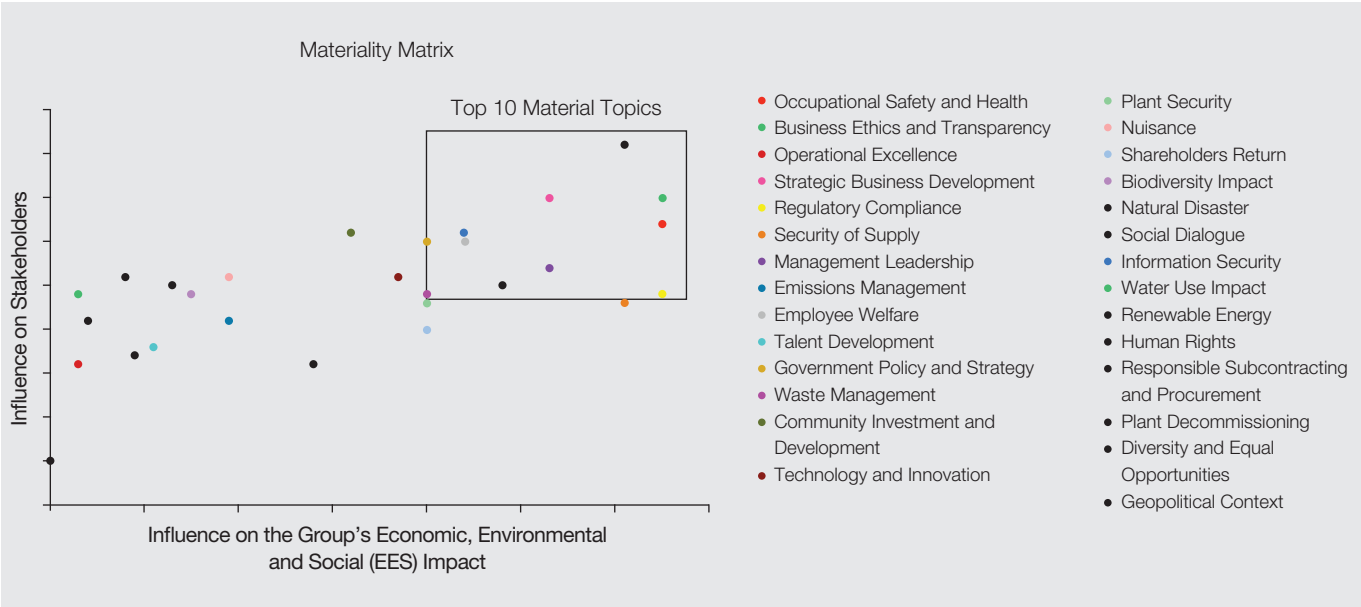
Stakeholder Group	Engagement Platform	Frequency	Focus Area
 Government Authorities	<ul style="list-style-type: none"> Face-to-face Meetings Surveys Corporate Events 	<ul style="list-style-type: none"> Ongoing Bi-annual 	<ul style="list-style-type: none"> Policy Market trends Current issues
 Law Enforcement Agencies	<ul style="list-style-type: none"> Face-to-face Meetings Surveys Site Visits 	<ul style="list-style-type: none"> Ongoing Bi-annual 	<ul style="list-style-type: none"> Compliance Latest environmental considerations
 Shareholders	<ul style="list-style-type: none"> Face-to-face Meetings Annual General Meetings Interviews Performance Report 	<ul style="list-style-type: none"> Ongoing Annual Bi-annual Quarterly 	<ul style="list-style-type: none"> Business performance Strategy Sustainability initiatives
 Customer	<ul style="list-style-type: none"> Face-to-face Meetings 	<ul style="list-style-type: none"> Ongoing Annual 	<ul style="list-style-type: none"> Customer experience System availability Resolving grievances
 Employees	<ul style="list-style-type: none"> Workshops Townhalls and dialogue sessions Surveys 	<ul style="list-style-type: none"> Ongoing Annual 	<ul style="list-style-type: none"> Employee feedback Employee welfare Career development Business conduct Anti-corruption
 Local Communities	<ul style="list-style-type: none"> Face-to-face Meetings Community Events 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Social welfare and specific feedback on programs Charitable contributions and activities
 Rating Agencies and Financial Institution	<ul style="list-style-type: none"> Face-to-face Meetings Media Releases/Announcements 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Business performance Strategy
 Contractors/Suppliers	<ul style="list-style-type: none"> Vendor Day 	<ul style="list-style-type: none"> Ongoing Bi-annual 	<ul style="list-style-type: none"> Pricing Tracking and monitoring of performance Payments

Sustainability Statement

MATERIAL TOPICS OR ISSUES OF INTEREST

During the year under review, we have not undertaken a separate stakeholder engagement exercise solely for the purpose of Sustainability Statement. However, we have built on the findings of Stakeholder Survey 2016, with additional feedback received from our stakeholders during our interactions throughout 2017. The respective heads of our business divisions were instrumental in capturing the stakeholder inputs and feeding them to the SWG for analysis of materiality.

We have reassessed the previously disclosed 28 material topics against the 2017 feedback from stakeholders and discovered only minor deviations from our 2016 materiality assessment. The issues of interest or topics that are material to both stakeholders and the organisation are identified. The materiality graph for the year under review is as follows:



TOP 10 MATERIAL TOPICS 2017
1. Occupational Safety and Health
2. Business Ethics and Transparency
3. Operational Excellence
4. Strategic Business Development
5. Regulatory Compliance
6. Security of Supply
7. Management Leadership
8. Emissions Management
9. Employee Welfare
10. Talent Development



OTHER ISSUES OF INTEREST

1. Government Policy and Strategy	11. Information Security
2. Waste Management	12. Water Use Impact
3. Community Investment and Development	13. Renewable Energy
4. Technology and Innovation	14. Human Rights
5. Plant Security	15. Responsible Subcontracting and Procurement
6. Nuisance	16. Plant Decommissioning
7. Shareholders Return	17. Diversity and Equal Opportunities
8. Biodiversity Impact	18. Geopolitical Context
9. Natural Disaster	
10. Social Dialogue	

The graph depicts the relevant reporting importance of the all identified sustainability related topics. The most important sustainability material topics are located towards the top-right side.

The most important points arising from the reassessment of the material topics in 2017 were:

1. Safety, health and well-being at workplace remains a top priority for Malakoff. We also continue to emphasise our engagement with industry and relevant authorities, as well as to ensure compliance with laws and regulations in all operations.
2. Issues such as anti-corruption, corporate governance and ethical business practices are not just hygiene factors but can be business enablers, building trust and enhancing credibility.
3. Operational Efficiency has been redefined from last year as Operational Excellence.
4. Employee related aspects such as enhanced employee training and knowledge sharing, as well as career development are all inclusive in Talent Development.
5. Commitment to the environment, and our approach to managing climate change is reflected in the way we manage our power plants emissions, effluents and waste from operations.

The material topics identified are discussed in the following sections of this Statement together with additional discussion on other related sustainability topics. They are grouped according to 3 themes which are Governance, People and Environment.

Sustainability theme	Material context	Material topics
Governance 	This theme covers various aspects of governance, operations and growth	<ul style="list-style-type: none"> • Business Ethics and Transparency: Code of Conduct • Whistle-blowing Policy • Regulatory Compliance • Strategic Business Development • Business Innovation and Diversification • Security of Supply • Operational Excellence • Occupational Safety and Health • Effective Management of Procurement
People 	This theme covers our people and social strategies, including talent management, diversity and performance	<ul style="list-style-type: none"> • Dynamic and Diverse Workforce • Harmonious Workplace • Nurturing Environment • Employee Welfare and Wellbeing • Community Investment and Development
Environment 	This theme covers our impacts and approach on environment	<ul style="list-style-type: none"> • Emissions Management • Water Management • Waste Management

Sustainability Statement

Governance

“In adopting principles of good governance, we believe in the values of transparency, trust, and team spirit, which allow us to forge partnerships for **GROWTH** that is meaningful for both the organisation as well as our stakeholders. We are motivated to go beyond compliance and introduce sound policies and risk management frameworks that contribute to efficient **OPERATIONS** and in turn a resilient, robust and rewarding business. **This section covers various aspects of governance, operations and growth.**”

BUSINESS ETHICS AND TRANSPARENCY: CODE OF CONDUCT

The Malakoff Code of Conduct (“Code”) is the Group’s formal commitment that governs our employees’ professional conduct, enabling them to operate in a transparent, appropriate and fair manner. The following principles guide our employees in their dealings with the Group, customers, vendors, suppliers, contractors and other internal and external parties.


MALAKOFF CODE OF CONDUCT – UNDERLYING PRINCIPLES

- 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.

Employees are required to adhere to the Code by signing a declaration. The Code is made available and accessible to all employees.


WHISTLE-BLOWING POLICY

The Whistle-blowing Policy was launched in 2014 and provides employees and third parties with proper procedures to disclose cases of Improper Conduct which include criminal offences, fraud, corruption, breach of Group Policies and Code of Conduct or other malpractices.

A Whistle-blower is assured confidentiality of identity to a reasonably practicable extent. This includes protecting the Whistle-blowers 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 that fair treatment is provided to both the Whistle-blower and the alleged wrongdoer when a disclosure of Improper Conduct is made.

A disclosure of Improper Conduct can be made verbally or in writing to the Chairman of the Board Audit Committee through a letter or e-mail to whistleblowing@malakoff.com.my. The Chief Internal Auditor is responsible for the administration, interpretation and application of the Whistle-blowing Policy and any amendment to this Policy needs to be vetted by the Chief Internal Auditor, subject to the final approval of the Chief Executive Officer, the Chairman of the Board Audit Committee and the Board of Directors.

In 2017, only one case was reported through the Whistle-blowing channel and appropriate action was taken in accordance to the Policy. A revision to the Whistle-blowing Policy was also made in 2017 to further enhance the effective implementation of the Policy.



The salient terms of the Whistle-Blowing Policy is available on our corporate website at: <http://www.malakoff.com.my/About-Us/Whistleblowing-Policy/>

REGULATORY COMPLIANCE

At Malakoff, we develop frameworks and processes to comply with the relevant laws and regulations. This includes various audit and verification programs, as part of the efforts to comply with the relevant Health, Security, Safety and Environment (“HSSE”) regulations. In 2017, we have successfully conducted three different type of audits:

- * QHSSE Internal Audits – Conducted by competent Internal Auditors
- * SIRIM Surveillance QHSSE Audits – Conducted by SIRIM Certification Authority; and
- * MCB Group Internal Audit – Conducted by Group Internal Audit Department

As a result of this systematic and structured effort, only one notice was issued by Department of Environmental (“DOE”) Johor to TBPP in 2017 as compared to two notices in 2016. The notice which was served to us related to the management of scheduled waste. Based on this notice, we have revised and improved the current process of management of scheduled waste to ensure full compliance to the requirements.



CLEAN AIR REGULATION ACT (CAR 2014)

Changes relating to Clean Air Regulation Act will come into effect in June 2019. These changes include the inclusion of Hydrogen Fluoride (“HF”), Hydrogen Chloride (“HCl”), Polychlorinated dibenzodioxins (“PCDD”)/ Polychlorinated dibenzofurans (“PCDF”) and the introduction of new lower limits for Carbon monoxide (“CO”) and Mercury (“Hg”).

Engagement with the stakeholders are being undertaken and in progress to ensure that Malakoff is in the right course for compliance with the new Clean Air Regulation. As part of our proactive actions, in December 2017, Malakoff appointed a consultant to conduct an Environmental Compliance Audit at our local plants to assess the readiness and compliance to the new Act.

STRATEGIC BUSINESS DEVELOPMENT

The Group has an established portfolio of international power and desalination water production assets and remains committed to the power and desalination water businesses. We continue to pursue growth opportunities, mainly to support the Malaysian Government’s target to achieve a cumulative large-scale solar capacity of 1,000 MW by 2020.

During the year under review, we explored and reviewed new local and overseas ventures and acquisitions, including potential business diversification, to deliver value for our shareholders. In keeping with global and regional trends, as well as our growing commitment to sustainable energy, we actively participated in local bidding process for commercially viable RE projects. Our plan to develop an optimised RE portfolio for the Group will not only catalyse new growth, but will help meet our sustainability agenda.

BUSINESS INNOVATION AND DIVERSIFICATION

The dynamic market trends demand businesses to continuously innovate and bring frontier solutions to the marketplace. It also calls the need for diversifying both the risks as well as the areas of growth and expansion. Therefore, we are on a constant look-out for high-potential business avenues related to waste-to-wealth and emerging technologies; servicing new customers in O&M services; electricity distribution and district cooling amongst others. All new investment opportunities are considered by the Management with stringent review and approval guidelines. Such opportunities are tabled to the Board of Directors for their approval only after a due diligence exercise has been conducted.

In June 2017, we participated in a bid to acquire National Central Cooling Company PJSC, a district cooling system company operating in the Middle-East. The bid for acquisition was however unsuccessful. During the year, in O&M Services, through our subsidiary Teknik Janakuasa, we provided technical training services as a new sustainable solution to promote and enhance skill and knowledge of professional community.

SECURITY OF SUPPLY

The security of supply to the National Grid is directly related to the available capacity during a given period and the reliability of plants operating within the same period. The outage plans for all our plants are reviewed together with the Grid System Operator on a regular basis to ensure our plants are available to support the grid system, as stipulated in the PPA, without compromising the integrity of the plants.

All our power plants (except Port Dickson Power Plant) are classified as national security zones (“Sasaran Penting”) by the relevant government agency, Jabatan Sasaran Penting Negara (“JSPN”). In 2017, we continued to review and inspect security of the plants for both adequacy and effectiveness. All our plants have been audited by JSPN whereby the result is satisfactory with the recommendation to further strengthen the security of the plant especially those which are critical to the country and categorised as “Sasaran Penting Keutamaan Satu”.

Sustainability Statement

Governance

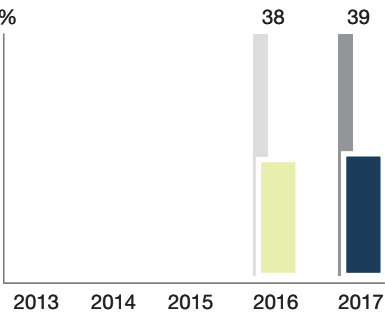
We have the responsibility to ensure a safe, secure and reliable power supply to the national grid. We achieve high plant reliability through various maintenance plans, including preventative maintenance and condition-based maintenance. Our Engineering Group manages activities in relation to Condition Based Maintenance technologies and O&M tools implementation, such as Reliability Centered Maintenance, Root Cause Analysis, Reliability Centered Spares, Risk Based Inspection, Process Safety Management, Hazard and Operability Study, forced outage management, and benchmarking in all plants. This is to ensure higher plant availability and reliability. The Group also leads and participates in failure investigations and root cause analyses to avoid recurrences. It also renders support in terms of unit and part assessments during outages or inspections related to gas turbines, steam turbines, generators, and boilers.

OPERATIONAL EXCELLENCE

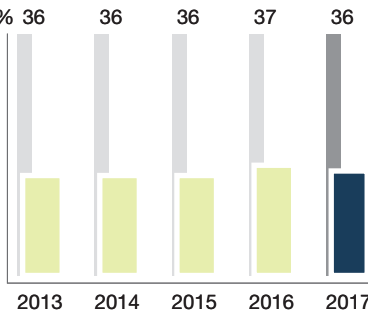
In 2017, our Engineering Department continued to lend its engineering expertise in various aspects of operations and maintenance such as risk management, failure prevention, strategic planning, and cost optimisation to achieve performance targets. It also managed the power plants' operational and performance (thermal and emissions) activities and process improvements.

For local power plants, we set thermal efficiency goals for execution and continuous monitoring, with a dedicated thermal performance monitoring program consisting of performance gap identification, remedy plans and potential risk forecasts. Periodic performance review session was conducted internally and externally throughout the year. The quarterly review identifies gaps and potential operational issues. It also helps the plants to properly plan the tasks to remedy the defects and schedule the required outage. The following chart indicates the thermal efficiency among our local generating plants.

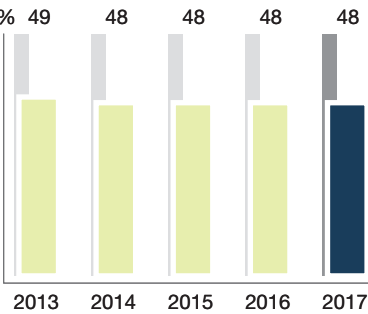
TANJUNG BIN ENERGY POWER PLANT



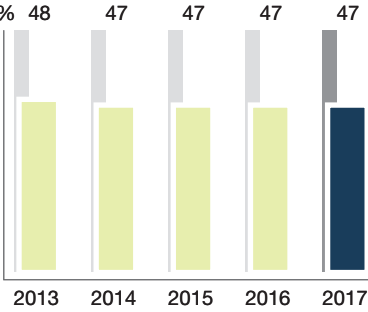
TANJUNG BIN POWER PLANT



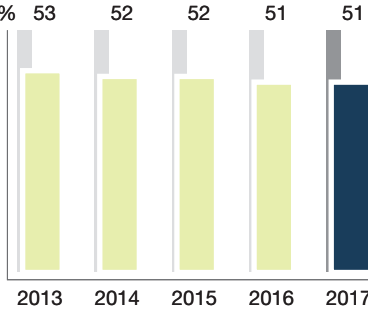
SEV POWER PLANT



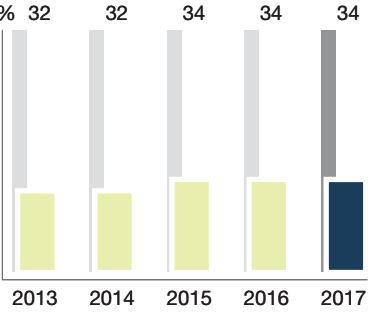
GB3 POWER PLANT



PRAI POWER PLANT



KAPAR POWER PLANT



OCCUPATIONAL SAFETY AND HEALTH

At Malakoff, we have established and implemented a comprehensive HSSE Assurance programme in accordance with the ISO 14001 and OHSAS 18001 standards. Having adopted these voluntary Gold Standards in HSSE management, we conduct due diligence studies on hazards and risks assessment; operational controls; training and competency systems; audit and verification; and various supporting programs. To date, our HSSE Assurance System has been audited extensively by SIRIM and we have been successful in maintaining our certification at all our sites within the certification scope. In 2017, we continued to implement various Occupational Safety and Health (“OSH”) programs such as Malakoff HSSE Day; Road Safety Campaign; HOPE; and Take 2; mainly to promote HSSE awareness within the organisation.

In 2017, we have enhanced our OSH calculation and reporting methodologies and the following table reports the incident and fatality rates.

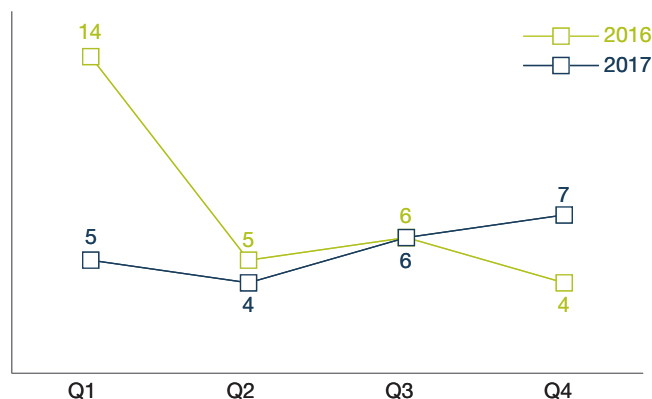
	2016	2017
Number of Incidents	29	22
Lost Time Injury Frequency Rate (“LTIFR”)	0.16	0.59
Fatalities	0	0

As indicated in the table, the number of all safety incidents recorded reduced from 29 in 2016 to 22 in 2017. However, our LTIFR has shown an increase from 0.16 in 2016 to 0.59 in 2017. The increase was mainly due to the Lost Time Injury (“LTI”) cases recorded during forced outages and major inspection at Lumut and Prai Power Plants respectively. During the period 2014 to 2017, we recorded ZERO fatalities from any work-related incidents.

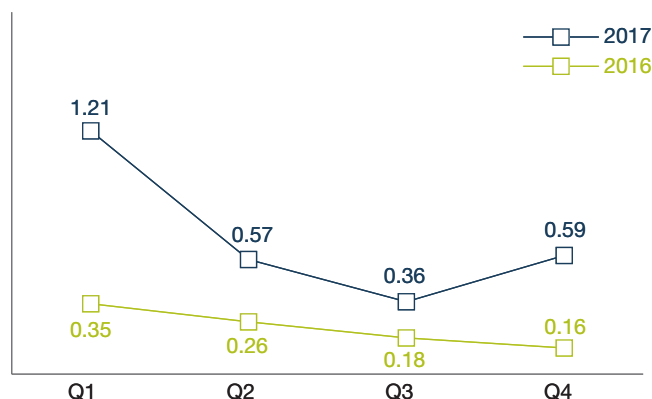
As testament to our commitment in ensuring excellence in OSH, Prai Power Plant has been awarded the prestigious National Occupational Safety and Health (“NOSH”) Excellence Award 2017 for the Energy Facility category.

The award was presented by the Department of Occupational Safety and Health, a division under the Human Resources Ministry. The NOSH Excellence Award aims to recognise individuals, media, journalists and various organisations with excellent track records in its occupational health and safety practices at the workplace.

2017 vs. 2016 Performance – Total Incidents



2017 vs. 2016 Performance – LTIFR



Sustainability Statement

Governance

EFFECTIVE MANAGEMENT OF PROCUREMENT

Supply-chain management is one of the critical factors for the success and profitability of any organisation. Therefore, our procurement policies, procedures and other governing rules are benchmarked for their effectiveness with global standards such as ISO 9001, ISO 14001 and OHSAS 18001. The key principle of our procurement is transparency and regular audits help surface constructive feedback for improvement in our approach as well as the overall governance. Our procurement policies promote fairness, curbs corruption of all kinds and creates opportunities for disadvantaged and indigenous communities based on meritocracy and value-added services.

Our suppliers consist of both local and international parties. As of 2017, we observed that there were no significant changes to our main supply chain that can contribute to significant economic, environmental and social impacts.



PROMOTING SUSTAINABLE PROCUREMENT PRACTICES

In 2016, we had launched i-Valua Portal, which is an e-procurement initiative, encouraging paperless vendor registration, development and e-auction. The digitisation of procurement system helped improve the turnaround time, and significantly improved resource allocation and management. The use of portal in itself resulted into cost savings of approximately RM3.2 million.

In 2017, the Phase 2 of the e-procurement concentrated on Contract Management, Materials Management and Purchase Requisition to Purchase Order and is expected to be completed by first quarter of 2018. The Phase 2 is expected to enhance performance in addition to improving both procurement process as well as resource optimisation.

During the year under review, we also organised a Vendor Day to raise awareness on the overall portal as well as critical aspects such as Vendor Code of Conduct, Related Party Transaction ("RPT") or Recurring Related Party Transaction ("RRPT") and Vendor Whistle-blower Channel.

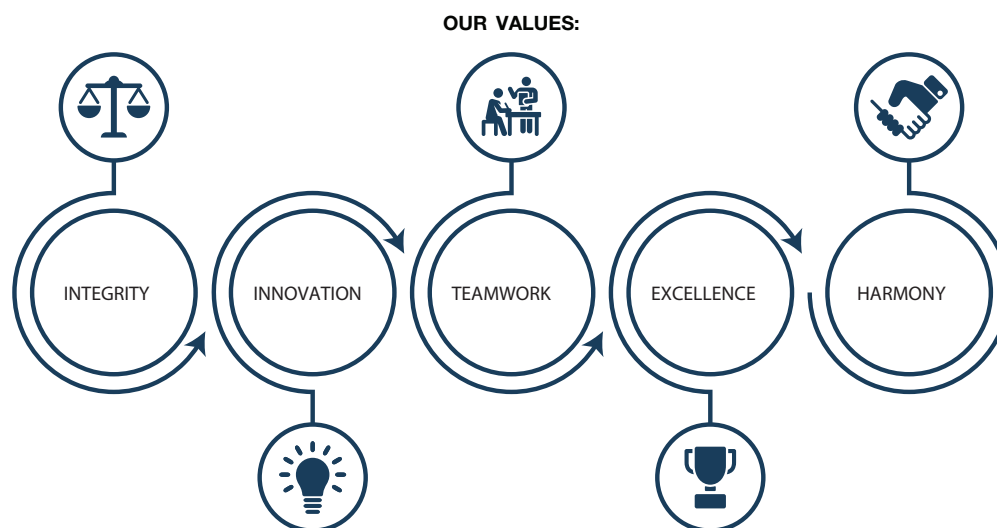
For 2017, a list of strategic procurement of certain services has been identified to minimise transactional procurement by introducing Service or Price Agreements with strategic partner/vendors.



Sustainability Statement

People

“In aspiring to be an employer of choice, we continue to emphasise on our people as the driving force behind all growth. We promote values of integrity, teamwork, innovation, excellence and harmony, which in turn inspire a high-performance culture. We take an inclusive approach to building the capacity and skills of our employees. Towards this, we create various online and physical platforms to continuously engage with our staff, seek their feedback, understand their career and personal motivation, and most importantly, to plan their professional development with us. **This section covers our people and social strategies, including talent management, diversity and performance.**”



DYNAMIC AND DIVERSE WORKFORCE

At Malakoff, we believe that diverse skills-sets and perspectives at workplace can improve the dynamics of team work towards greater performance. Hence, our hiring policies, approaches to people development, retention strategies etc. are based on meritocracy and aim to provide equal opportunities for learning and growth. We do not discriminate employees on the basis of their ethnicity, gender, age, disability or status.

Our management philosophy is that the most appropriate way to engage with our colleagues is through direct communication rather than through intermediary organisations. Therefore, we do not practice union membership in the organisation.

In 2017, women employee constituted 16.75% of our total workforce, and nearly 4% of them hold managerial positions. Our current Board of Directors consists of directors with a diverse range of background, experience, nationality and gender.

HARMONIOUS WORKPLACE

We acknowledge the critical role of our human capital in fulfilling company's growth aspirations. We also recognise the need to build their capabilities and competencies, for them to positively contribute to both individual and organisational growth. Therefore, continuous learning and development is a priority at Malakoff to enhance productivity and optimise performance. While building internal capacity, we also strive to create a pipeline of talent necessary to meet the future needs of the organisation.

In other words, we understand the importance of attracting, developing and retaining the best technical and non-technical talent, while instilling a culture that underpins continuous growth. Therefore, by leveraging on the diverse capabilities of our leaders, we encourage cross-functional assignments within the Group. Over the years, we have demonstrated that talent mobility within the organisation through restructuring and realignment of roles can contribute to an agile and flexible workplace, serving the business needs as well as various technological advancements.

Sustainability Statement

People

As at 31 December 2017, we have 1,035 employees, working as one team to ensure Malakoff is able to operate, produce and serve at the highest levels of efficiency. The following table shows the composition of our employees:

Workforce	2014	2015	2016	2017
TOTAL NO. OF EMPLOYEES	961	1029	1074	1035
BREAKDOWN OF EMPLOYEES (%)				
Malaysian	99.69	99.71	99.91	100.00
Other Nationals	0.42	0.29	0.09	-
CONTRACT TYPE (%)				
Permanent	93.96	93.88	93.39	92.06
Contract	6.04	6.12	6.61	7.94
GENDER DISTRIBUTION (%)				
Male	85.33	85.23	85.66	83.25
Female	14.67	14.77	14.34	16.75
EMPLOYEES ABOVE AND BELOW AGE OF 35 (%)				
Above 35	45.47	46.36	46.09	50.73
Below 35	54.53	53.64	53.91	49.27
EMPLOYEE GROUP				
Executive and Above	668	697	703	679
Non-Executive	293	332	371	356
NO. OF NEW HIRES				
Total	88	134	97	41
Executive and Above	53	71	42	16
Non-Executive	35	63	55	25
Male				38
Female				3
TOTAL ATTRITION				
Total	77	67	54	80
Executive and Above	63	54	48	52
Non-Executive	14	13	6	28
Male				72
Female				8

NURTURING ENVIRONMENT

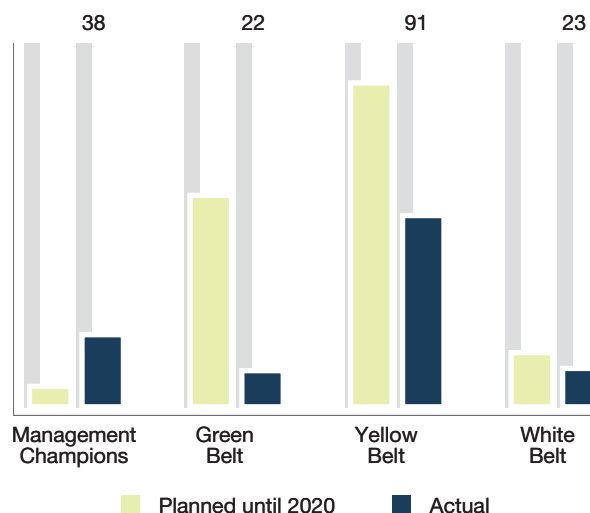
We conduct a training needs assessment for all our employees, taking into consideration their current competency levels and future career aspirations. The training and development calendar is also planned based on managerial and staff feedback from annual performance appraisals.

The nature of business requires employees to be competent in responding to the changing business environment and to have adequate technical skills and capabilities to execute and perform. Hence, training and development has emerged as a formal business function to continuously improve employee's skills and productivity in ensuring the long-term success and profitability of the company.

In 2017, the Group invested approximately RM1.9 million on soft skills, technical, functional and leadership training, utilising approximately 23,000 man-hours. Considering 80% of our workforce are involved in O&M, we focused on delivering plant-specific simulator training at each of our power plants for competency improvement. We also invested on Project Management Programme ("PMP") certifications for 22 employees, of which 10 completed their beginner-level course and 12 successfully underwent the intermediate-level.

Similarly, we initiated and deployed the Lean Six Sigma ("LSS") programme for Kuala Lumpur Headquarters and Port Dickson Power Plant staff, with 24 Green Belt holders and 34 Yellow Belt holders successfully completed the programme. The LSS programme was also extended to other power plants, such as TBPP, where 56 Yellow Belt holders were nominated for training in two batches. All these interventions are positively reflected on the employees' skills, their productivity and their overall contributions at both individual and organisational level.

NUMBER OF BELTERS ATTAINED IN 2017



To date, 174 employees have successfully graduated their LSS programme at different levels, including Management Champions, Green Belts, Yellow Belts and White Belts. The above chart shows year-on-year target and achievement. Currently, 13 Black Belt holders and 54 Green Belt holders are undergoing further training, which will be completed in 2018.

With the full deployment of LSS Programme throughout Malakoff, we expect to inculcate the culture of continuous improvement within the organisation.

Besides, in 2017, we also introduced a Performance Management Communication Series, focusing on soft skills of performance management. The objective was to equip our employees and leaders with tips beyond the formal performance review process, using strategies such as communication techniques, team work dynamics. We are confident that these efforts will help align expectations and aspirations of our employees with organisational goals and vision.

EMPLOYEE WELFARE AND WELLBEING

Subsequent to our 2016 Employee Engagement survey, a working committee were set up to act as mediators between the Management and employees, mainly to facilitate new ideas and best solutions in relation to the issues that surfaced from the findings of the survey. In 2017, among various initiatives aimed at improving employee engagement, the learning spirit, the culture of giving-back to the society, and a sense of camaraderie included:

- HR2U week was organised at all our office locations in Malaysia and was aimed at raising awareness on various Human Resource (“HR”) matters as well as promoting open communication between the management and staff. The idea was to provide a safe, healthy and constructive platform to express ideas, share honest feedback and discuss various issues.
- The Malakoff Sports Carnival was organised on 13 October 2017 in conjunction with the Employee Service Award celebration to inspire one-team spirit through sports. The carnival included football, golf, carom, darts, badminton, futsal, bowling, tennis and ping pong.
- The staff of Prai Power Plant initiated a donation drive for three of its staff who were affected by the flood in November 2017.
- 56 Malakoff staff participated in “YKN Run For Love 2017” organised by Yayasan Kebajikan Negara (“YKN”) in December 2017. The objective of the event, held in Putrajaya, was to raise fund to aid the less fortunate in terms of health and education.

EMPLOYEE BENEFITS' UPDATE

The Group's Compensation and Benefits Policy is proposed by the Management and approved by the Board of Directors before its implementation throughout the organisation. Subsequently, our key performance indicators and its performance measurement includes both financial and non-financial goals, are based on Balance Scorecard.

Our compensation packages and benefits are fair, competitive and at par with industry standards. Our policies governing employee benefits are also streamlined across the Group, with a focus on improving staff morale, promoting work-life balance, and improving staff health and productivity. All the staff benefits are offered based on individual merit, performance and contributions to the company. At Malakoff, the employee benefits are also directly linked to attracting and retaining talent.

Our current benefits framework includes:

1. Fixed compensation such as salary and fixed allowance;
2. Variable compensation;
3. Benefits and perquisites such as medical and, insurance coverage; and
4. Recognition and loyalty programme.

Sustainability Statement

People

COMMUNITY INVESTMENT STRATEGY

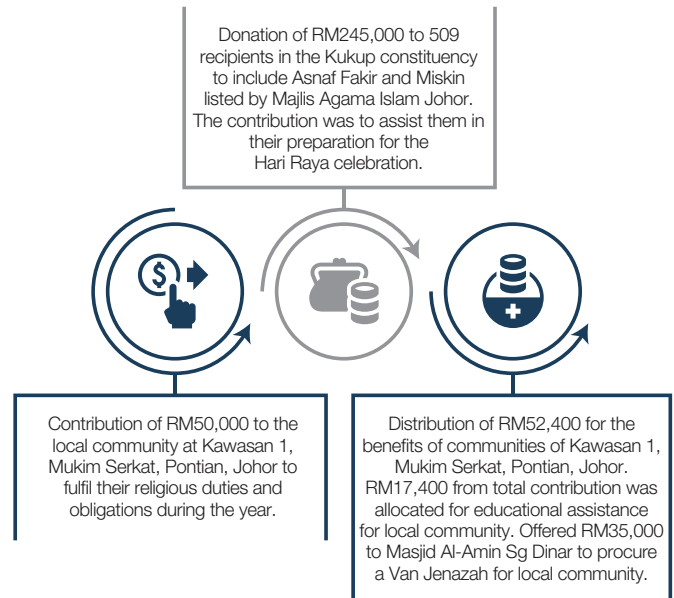
At Malakoff, we strongly believe that our success depends on our commitment to constantly engage and understand the expectations of local communities as well as our employees. We take a long-term approach to fulfilling our responsibility as an active member and contributor to the community. Over the years, our focus has been on education and environment, especially to communities where we conduct our operations.

MEASURES TO IMPROVE LIKELIHOOD OF COMMUNITY AND JOB OPPORTUNITY

During the year under review, we kept our annual commitment to channel funds through Wakalah Zakat towards community welfare and well-being. We supported various causes, catering to the real-time needs of the community members.

We also extended our expertise for the upkeep and restoration of 24 floodlights at three tennis courts in Pontian district, with the modest contribution of RM8,000. Five personnel from TBEPP plant conduct regular maintenance as part of their contribution to Pontian community.

HIGHLIGHTS OF WAKALAH ZAKAT 2017



YOUTH EDUCATION AND DEVELOPMENT

As part of our efforts to provide educational infrastructure and assistance, in 2017, we adopted 11 schools in Segari (Perak), Prai (Penang), and Tanjung Bin (Johor). We provided financial support of RM36,500 to equip these schools with learning tools and better infrastructure.

ENVIRONMENTAL AWARENESS

Malakoff entered its sixth year of collaboration with Perak Fisheries Department to organise “Kenali Penyu, Sayangi Penyu” programme. The turtle awareness and educational programme held at Segari Turtle Management Centre (“TMC”) was aimed to raise public awareness on the threats to turtles. The event brought together 120 volunteers from Malakoff, Perak Fisheries Department and

local fishermen, as well as 20 students from the Institute of Marine Engineering Technology, Lumut campus of Universiti Kuala Lumpur. The volunteers participated in a gotong royong to spruce up the buildings and vicinity of TMC. They also attended an educational talk conducted by a representative from Turtle and Marine Ecosystem Centre (“TUMEC”), which highlighted the critical role that individuals can play in conserving turtles.

To sustain the efforts beyond our programme, we contributed RM13,000 for TMC’s upkeep.



Sustainability Statement

Environment

“In conducting our business, we are mindful of the possible impact of our operations to the environment. Therefore, in addition to working within the limits set by various environmental laws and regulations, we are continuously exploring new green technologies and improving our processes for better management of our emissions. In doing so, within the organisation and in our circle of influence, we are committed to promote sustainable practices and behavior. **This section further documents our current environmental impacts and our approach to managing them responsibly.**”

EMISSIONS MANAGEMENT

Coal is the biggest single source of energy for electricity production globally. Considering its abundant reserves and competitive prices, coal is likely to maintain its market despite the growing concern on CO₂ emissions. Our strategy is simple. We will move towards balancing our energy-mix, which will mean shifting our focus towards renewable energy in the mid- to long-term horizon. Meanwhile, we are committed to deploy advanced and clean technologies, which help reduce the emissions significantly. For instance, most recently, we installed the highly efficient ultra-super critical boiler technology at TBEPP. As a result, TBEPP is already in compliance with the new CAR2014 regulations.

As far as emissions management is concerned, our facilities report real-time emissions data from the plant to the respective DOE database for online monitoring by the regulator. To ensure compliance with emission limits, our plants employ a stringent emissions-control equipment maintenance schedule and ensure optimal operational efficiencies. All greenhouse gas (“GHG”) and non-GHG emissions produced by our local generating facilities are directly related to fuel property and combustion process. Emissions produced by our local generating facilities are as illustrated in the chart below:

Type of power station	Non-GHG	GHG
Coal Fired	NOx, SOx, Particulate Matter	CO ₂
Gas Turbines (Combined and Open Cycle)	NOx	CO ₂

GHG production is reduced by optimising the units’ generating efficiency.

We are currently conducting an initial study on our carbon emissions, which will provide us with a baseline data for 2018 sustainability reporting, as part of our commitment towards better management of the carbon footprint.



WE TAKE VARIOUS STEPS TO REDUCE THE IMPACT OF NON-GHG EMISSIONS FROM OUR PLANTS:

We equip our facilities with:

- Filtration equipment to reduce Particulate Matter (“PM”) emissions – an electrostatic precipitator and fabric filter are installed at TBPP and TBEPP respectively;
- Flue Gas Desulphurisation (“FGD”) to reduce Sulfur Oxide (“SOx”) emissions; and
- Stage combustion to reduce Nitrous Oxide (“NOx”) emissions;
- GHG production is minimised by optimising the units’ generating efficiency. We minimise the emissions from coal properties by:
- Selection of coal governed by the Coal Supply and Transportation Agreement (“CSTA”), which is a stringent process and testing to ensure the coal is suitable for the boilers and complies with the emission requirements.

We are committed to partner with the industry to pioneer sustainable solutions:

- Malakoff is also one of the participating company together with TNB Research (“TNBR”) to develop the GHG emission factor for electricity sector in Malaysia.
- This initiative will help the country meet its commitment as a signatory party to the United Nations Framework Convention on Climate Change (“UNFCCC”).

We are exploring diversification opportunities and strategies:

- By the year 2020, we hope to improve our energy-mix up to 300 MW of generation capacity from RE portfolio.

WATER MANAGEMENT

Our plants use sea water for process cooling purposes and raw water for general administrative and process requirements. Water used for processes is mainly to replenish water and steam loss to the environment during the operation. We obtain our raw water supplies from respective state water supply companies i.e., Perbadanan Pembekalan Air Pulau Pinang ("PBAPP"), Syarikat Air Johor ("SAJ") and Lembaga Air Perak ("LAP").

The following table shows the total raw water consumption according to plant, as recorded in the monthly water bill as metered by the respective state water supply companies:

Power Plant	2015 (m ³)	2016 (m ³)	2017 (m ³)
Prai	143,364	201,565	212,433
Lumut	534,199	513,159	275,076
Tanjung Bin	1,696,600	1,995,067	1,631,673
Tanjung Bin Energy	–	720,902	379,528
Total	2,374,163	3,430,693	2,498,710

At our TBPP plant, the management of ash pond water has reduced raw water consumption by 20% in raw water costs per annum, while ensuring environmental compliance (e.g., ash pond water level). In addition, the TBPP plant also has a rainwater harvesting system, which is used for general cleaning purposes around the plant area.

WASTE MANAGEMENT

We recognise the risks from coal ash disposal from our coal-fired power plants and therefore, we have a coal ash disposal procedures, helping us to manage our ground, water or air contamination. In 2017, both TBPP and TBEPP coal-fired plant with the combined generation capacity of 3,100 MW produced about 42,000 metric tonnes of Fly Ash and 8,000 metric tonnes of Bottom Ash every month.

All Fly Ash generated was sold to cement and concrete producers to produce pulverised fuel cement and concrete. Whereas, Bottom Ash is stored in the Ash Pond located inside the plant complex and this is being regularly assessed on its condition and safety aspects. During the year, our process improvement initiatives and clean technology deployment resulted in cost savings of approximately RM642,000 by way of combustion optimisation.

In addition, the internal waste (domestic waste) and internally generated scheduled waste such as used lube oil, distillate and contaminated solid waste are collected by appointed domestic contractors and sent for either landfill or incineration for disposal.

In 2017, TBEPP in collaboration with DOE Johor took the initiative to collect all electronic waste (e-waste) such as unused batteries and mobile phones from the project and sent them for proper disposal.



ENVIRONMENTAL MANAGEMENT PLAN ("EMP")

We have implemented EMP at all our operating sites to continuously monitor and assess the environmental impact of our plant operations. In 2017, sampling and analysis of the environmental-related parameters were conducted by an external laboratory with DOE accreditation. The monitoring parameters included emissions, effluent, marine water, ground water, river water, and biological parameters (for example, mangroves, fishes, birds, and turtles).

In 2017, there were no record of significant spills on any of our local power plants which would harm the environment in the areas that we operate.

We have also embraced the Guided Self-Regulation ("GSR") in our daily operations. GSR was introduced by DOE in 2016 to develop an industrial society with environmental excellence. Based on the environmental mainstreaming tools recommended, we have already deployed safety and environmental monitoring systems. With GSR, we are better equipped and more competent to manage our environmental impacts going forward.

Sustainability Statement

Environment

SUSTAINABILITY FRAMEWORK: WAY FORWARD FOR THE COMPANY

We are in the early stage of mapping our sustainability aspirations with business priorities. However, our Board of Directors as well as the senior management are committed to make real-time progress as far as embedding sustainability in our day-to-day operations is concerned. We understand that it will require a behavioural change at organisational level; a strategic shift at business level from shareholders' profitability to stakeholders' welfare.

The ESG risks to our business will be more pronounced as we grow, and we will continue to mitigate such risks by applying principles of good governance, sound management policies and sustainable principles for investments and in operations. On the economic front, our aspiration is to improve our energy mix towards supporting the aspiration of the government to

significantly reduce emissions and move towards clean energy alternatives. We will also optimise cost structures, improve our operational efficiencies through innovative ideas and technology, and help enhance the economic benefits to both our business and the people in our value chain.

Our social impact is inherent in our business proposition, which is to provide power and water solutions, which is a catalyst for a sustainable industry, that in turn contributes to socio-economic development of people. Besides, we continuously support the development of our people through equitable policies, learning and development opportunities and partnerships for community welfare and well-being.

Our aspiration for 2018 is to devise a Sustainability Framework for Malakoff, with specific programmes and targets to manage ESG risks and opportunities for positive economic, social and environmental impact.



GLOBAL REPORTING INDEX (GRI) CONTENT INDEX

GRI Standard	Disclosure	Page Number (s)
GRI 101: Foundation 2016 General Disclosures		
GRI 102: General Disclosures 2016	Organisational Profile	
	102-1 Name of the organisation	4 (refer to AR 2017)
	102-2 Activities, brands, products, and services	4 (refer to AR 2017)
	102-3 Location of headquarters	7 (refer to AR 2017)
	102-4 Location of operations	5 (refer to AR 2017)
	102-5 Ownership and legal form	7 (refer to AR 2017)
	102-6 Market served	5 (refer to AR 2017)
	102-7 Scale of the organisation	5 (refer to AR 2017), 64
	102-8 Information on employees and other workers	64
	102-9 Supply chain	53 & 62
	102-10 Significant changes to the organisation and its supply chain	62
	102-11 Precautionary Principle or approach	104 (refer to AR 2017)
	102-12 External Initiatives	54
	102-13 Membership of association	54
	Strategy	
	102-14 Statement from senior decision maker	52
	102-15 Key impacts, risks, and opportunities	104 (refer to AR 2017)
	Ethics and Integrity	
	102-16 Values, principles, standards and norm behaviour	58
	102-17 Mechanisms for advice and concerns about ethics	58
	Governance	
	102-18 Governance structure	78, 104, 112, 116 (refer to AR 2017)
	102-19 Delegating authority	54
	102-20 Executive-level responsibility for economic, environmental, and social topics	54
	102-21 Consulting stakeholders on economic, environmental and social topics	54
	102-22 Composition of the highest governance body and its committee	54
	102-23 Chair of the highest governance body	54
	102-24 Nominating and selecting the highest governance body	88
	102-25 Conflict of interest	84 (refer to AR 2017) 98 (refer to AR 2017)
	102-26 Role of highest governance body in setting purpose, values, and strategy	78 – 79 (refer to AR 2017)
	102-27 Collective knowledge of highest governance body	78 – 79 (refer to AR 2017)

Sustainability Statement

GRI Standard	Disclosure	Page Number (s)
102-28	Evaluating the highest governance body's performance	78 – 79 (refer to AR 2017)
102-29	Identifying and managing economic, environmental, and social impacts	78 – 79 (refer to AR 2017)
102-30	Effectiveness of risk management processes	104 (refer to AR 2017)
102-31	Review of economic, environmental, and social impacts	59 – 60
102-32	Highest governance body's role in sustainability reporting	59 – 60
102-33	Communicating critical concerns	59 – 60
102-34	Nature and total number of critical concerns	59 – 60
102-35	Remuneration policies	90 – 94 (refer to AR 2017)
102-36	Process of determining remuneration	90 – 94 (refer to AR 2017)
102-37	Stakeholders involvement in remuneration	90 – 94 (refer to AR 2017)
102-38	Annual total compensation ratio	90 – 94 (refer to AR 2017)
102-39	Percentage increase in annual total compensation ratio	90 – 94 (refer to AR 2017)
Stakeholder engagement		
102-40	List of stakeholder groups	55
102-41	Collective bargaining argument	63
102-42	Identifying and selecting stakeholders	55
102-43	Approach to stakeholder engagement	55
102-44	Key topics and concerns raised	55
Reporting practice		
102-45	Entities included in the consolidated financial statements	120 – 250 (refer to AR 2017)
102-46	Defining report contents and topic boundaries	53
102-47	List of material topics	56
102-48	Restatement of information	56
102-49	Changes in reporting	56
102-50	Reporting period	53
102-51	Date of the most recent reports	53
102-52	Reporting cycle	53
102-53	Contact point for questions regarding the report	53
102-54	Claims of reporting in accordance with the GRI standards	53
102-55	GRI content index	71 – 73
102-56	External assurance	55
GRI 201: Economic Performance 2016	Management approach disclosures	
103-1	Explanation of the material topic and its Boundary	34
103-2	The management approach and its components	39 – 40
103-3	Evaluation of the management approach	39 – 40

GRI Standard	Disclosure	Page Number (s)
	Economic performance	
	201-1 Direct economic value generated and distributed	120 – 250 (refer to AR 2017)
GRI 203: Indirect Economic Impacts 2016	Management approach disclosures	
	103-1 Explanation of the material topic and its Boundary	66 – 67
	103-2 The management approach and its components	66 – 67
	103-3 Evaluation of the management approach	66 – 67
	Indirect Economic Impacts	
	203-1 Infrastructure investments and services supported	66 – 67
GRI 303: Water	Management approach disclosures	
	103-1 Explanation of the material topic and its Boundary	68 – 69
	103-2 The management approach and its components	68 – 69
	103-3 Evaluation of the management approach	68 – 69
	Water Use Impact	
	303-1 Water withdrawal by source	69
GRI 307: Environmental Compliance 2016	Management approach disclosures	
	103-1 Explanation of the material topic and its Boundary	68 – 69
	103-2 The management approach and its components	59, 68 – 69
	103-3 Evaluation of the management approach	59, 68 – 69
	Environmental Compliance	
	307-1 Non-compliance with environmental laws and regulations	59, 68 – 69
GRI 403: Occupational Health & Safety 2016	Management approach disclosures	
	103-1 Explanation of the material topic and its Boundary	61
	103-2 The management approach and its components	61
	103-3 Evaluation of the management approach	61
	Occupational Health and Safety	
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	61
GRI 404: Training And Education 2016	Management approach disclosures	
	103-1 Explanation of the material topic and its Boundary	46 – 47
	103-2 The management approach and its components	46 – 47
	103-3 Evaluation of the management approach	46 – 47
	Training and Education	
	404-2 Programs for upgrading employee skills and transition assistance programs	64 – 65

Corporate Events Highlights



05 March



24 March



01 April



19 April



22 April



28 April



28 April



06 May



25 May



25 May

MARCH

05 March 2017

Johor MB visits Malakoff's Masjid Sungai Dinar, Pontian, Johor

24 March 2017

Friendly football match against Energy Commission

APRIL

01 April 2017

Malakoff-KeTTHA Ride from Pulau Spring Resort to Tanjung Bin Power Plant

19 April 2017

Malakoff 11th Annual General Meeting

22 April 2017

Malakoff joins e-waste programme during Earth Day celebration

28 April 2017

Malakoff sponsors umrah packages for two young cancer patients

28 April 2017

Malakoff supports community in Pontian Glow Run

MAY

06 May 2017

Futsal tournament with KeTTHA, Energy Commission and Economic Planning Unit ("EPU")

25 May 2017

Malakoff Turtle Awareness programme in Segari, Perak

25 May 2017

Launching of Malakoff Lean Six Sigma Programme



19 June



20 June



17 July



19 July



11 August



06 July



18 July



18 August

JUNE

19 June 2017

Handover of Wakalah Zakat to DUN Kukup recipients

20 June 2017

Malakoff signs Corruption-Free Pledge

JULY

06 July 2017

Aidilfitri celebration at Malakoff KL HQ

17 July 2017

Aidilfitri celebration at Port Dickson Power Plant

18 July 2017

Aidilfitri celebration at Prai Power Plant

19 July 2017

Aidilfitri celebration at Lumut Power Plant

AUGUST

11 August 2017

Futsal tournament with New Straits Times, Berita Harian and Harian Metro

18 August 2017

Friendly football match against KeTTHA

Corporate Events Highlights



14 September



20 October



21 October



29 September



14 October



20 October



22 October

SEPTEMBER

14 September 2017

Lumut Power Plant participated in National Firefighting and Rescue competition

29 September 2017

Malakoff hosts friendly bowling tournament with KeTTHA, Energy Commission

OCTOBER

14 October 2017

Malakoff celebrates long-serving staff in Long Term Service Award

20 October 2017

Football players with winning trophy in Malakoff-TNB friendly football

20 October 2017

Friendly netball match against TNB

21 October 2017

Friendly bowling tournament with TNB

22 October 2017

Launching of Hari Alam Sekitar Negara 2017 in Segamat



30 November



02 December



15 December



15 December



16 December



26 December

NOVEMBER

30 November 2017

Ex Power Tanjung Bin 2017 simulation exercise

DECEMBER

02 December 2017

Karnival Sukan Rakyat with Mukim Serkat community

15 December 2017

Ceramah Perdana at Masjid Khairul Jariah, Segari

15 December 2017

Ceramah Perdana at Masjid Al-Amin Sungai Dinar in Serkat, Johor

16 December 2017

Karnival Sukan Rakyat with Segari community

26 December 2017

Handover of Wakalah Zakat for education assistance and hearse to Mukim Serkat community

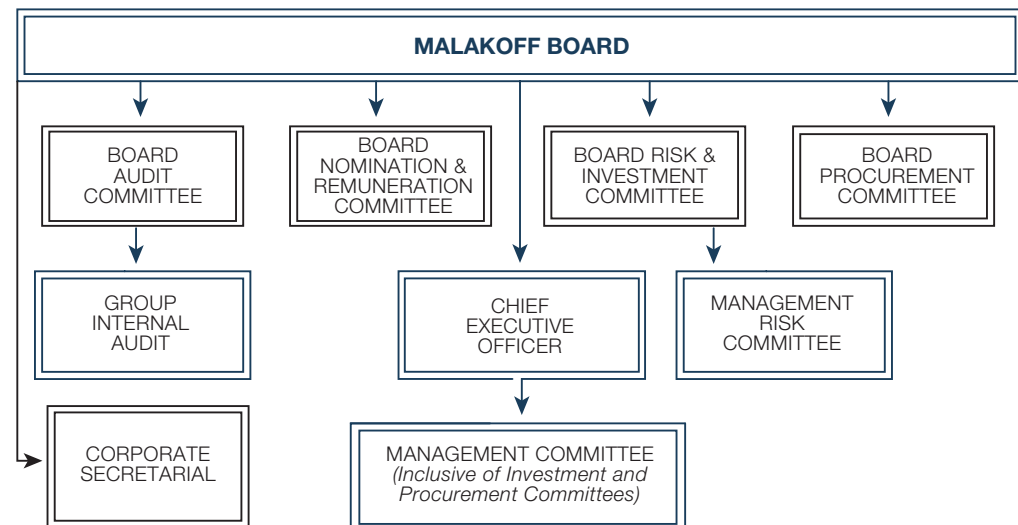
Corporate Governance Overview Statement

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 MCGG 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 MCGG 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 customised 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)	(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, MCCG 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 MCGG 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
	Insights into the Energy Transition – Presentation by Bloomberg	16 October 2017
Kohei Hirao	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 Perundingan 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 MCGG 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 MCGG 2017, the impact of new CA 2016 on the MCGG 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 124 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 125 to 227 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.

EXPLORING OPPORTUNITIES

*We will explore opportunities that
are in line with our Strategic
Plan to grow our business.*





Statement on Risk Management and Internal Control

Board's Responsibility

The Board of Directors ("Board") of Malakoff Corporation Berhad risk oversight is critical in establishing the tone and culture towards an effective risk management and internal control for Malakoff Corporation Berhad and its subsidiaries ("the Group"). The Board affirms its overall responsibility for reviewing the adequacy and effectiveness of its risk management and internal controls processes of the Group. The processes in place are designed to ensure key risk areas are managed to an acceptable level to achieve its business objectives. The Group's risk management and internal control system is an ongoing process designed to meet its needs based on the business direction in line with the changes of business environment, operating conditions and regulatory requirements.

The Board is aware that the risk management and internal control system can only provide reasonable and not absolute assurance against the risk of material loss or occurrences of unforeseeable circumstances. For that reason, the Board is constantly reviewing the adequacy and integrity of the Group's risk management and systems of internal control.

The Statement on Risk Management and Internal Control is made in accordance with Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). This is in line with the Malaysian Code on Corporate Governance ("MCCG") 2017 which requires public listed companies to maintain a sound system of risk management and internal controls to provide assurance and safeguard shareholders' investments, customers' interests and company assets.

RISK MANAGEMENT

Risk management is implemented across the Group as well as specific functions, programmes, projects and activities. The holistic approach of risk management by the Group strengthens management practices, decision making and the resource allocation process. It also protects the interests of stakeholders as well as strengthens trust and confidence to the Group.

RISK MANAGEMENT FRAMEWORK

The Group is committed to undertaking continual improvements in risk management activities as well as in the assessment, monitoring and review of all key risk areas to ensure a sustainable business that provides steady growth and enhances stakeholder value. The Board's commitment toward this was reflected in the establishment of the Board Risk Committee ("BRC") in November 2014. The BRC function, roles and responsibility has been expanded to include reviewing and recommending the Group's material investment decisions. With the additional scope to the Terms of Reference (TOR), the BRC has been renamed as Board Risk and Investment Committee (BRIC) on 21 November 2016. The BRIC was established in acknowledgement of the growing importance of the risk management in safeguarding the interest of the Group and its shareholders.

TERMS OF REFERENCE (TOR): BOARD RISK AND INVESTMENT COMMITTEE

Purpose	<p>BRIC is established as a committee of the Malakoff Corporation Berhad ("the Company") Board of Directors to oversee the risk management activities of the Group. It supports 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.</p> <p>The other primary objective of the BRIC also includes reviewing and recommending to the Board, major investment(s) which may comprise the acquisition and divestment of businesses, companies, land and buildings and the bidding for binding tenders and contracts for new power and water generation projects and assessing the key associated risks, including funding options and costs, and investment returns of such investment in accordance to the Group's Investment Guideline and Policy.</p>
Members	At least two (2) Non-Executive Independent Directors and one (1) Non-Executive Non-Independent Director.
Secretary	The Company Secretary shall act as the Secretary of the Committee, unless otherwise determined by the Chairman of the Committee.
Quorum	Majority of members present.
Frequency of Meetings	At least once in every quarter and at such other times as the Chairman of the Committee considers necessary.
Notice of Meetings	Unless otherwise agreed by the Committee members, notice of each meeting confirming the venue, time and date together with an agenda of items to be deliberated, shall be forwarded to each member of the Committee at least five (5) business days prior to the date of the meeting.
Minutes	<p>The Company Secretary shall minute the proceedings and resolutions of all Committee meetings.</p> <p>Recommendations of the Committee are to be referred to the Board for approval.</p> <p>Minutes of Committee meetings shall be circulated to all members of the Committee. Minutes shall be confirmed by the Committee and signed by the Chairman.</p> <p>Approved minutes shall be distributed to all members of the Board for information at the next Board meeting.</p>

Statement on Risk Management and Internal Control

Responsibilities Enterprise Risk Management

1. To review the processes for determining and communicating the Company's risk appetite.
2. 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.
3. To review and approve the risk management framework and policies to be adopted by the Group. The framework is constantly monitored and reviewed to ensure risks and controls are updated to reflect current situation and to ensure its relevance at any given time.
4. To review Management's processes for identifying, analysing, evaluating and treating risks, as well as communicating the identified risks across the Group.
5. To review periodic reports on risk management of the Group and deliberate on key risk issues highlighted by the Management Risk Committee.
6. To report to the Board on the key risks of the Group and the action plans to mitigate these risks.
7. To provide independent assurance to the Board of the effectiveness of risk management processes in the Group.
8. 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.
9. To carry out such other assignments related to risks as may be delegated by the Board.

INVESTMENT REVIEW

The other primary responsibility of the BRIC is to assist the Board in reviewing and recommending material investment decisions of the Group which may comprise the 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, operation and maintenance services and any other businesses of the Group as well as new businesses intended to be pursued by the Group (referred to as "Project") valuing more than RM500 million (collectively referred to as "Material Investment Decision").

Responsibilities **Authority**
 (continued)

1. The financial authority of the BRIC is to consider, evaluate and recommend for the approval of the Board of Directors ("Board"), the Material Investment Decision valuing more than RM500 million after taking into consideration the recommendations and justifications made by the Management Investment Committee of the Company.
2. To evaluate and review the raising of financing/funding necessary to undertake the Material Investment Decision.
3. To perform the activities required to discharge its responsibilities within its terms of reference and make relevant recommendations to the Board;
4. To acquire the resources from internal and external professionals, as it deems necessary, to assist the Committee in the proper discharge of its roles and responsibilities, at the expense of the Company; and
5. To meet exclusively among itself, whenever deemed necessary. The Committee shall be assisted by the Group Managing Director/Chief Executive Officer, the Chief Financial Officer and the Head of Group Planning & Strategy or any Head of division(s) whatever designation named who are the drivers of the investment initiatives across the Group.

The scope and functions of the BRIC in the review of Material Investment Decision of the Group are set out below:-

Planning

Review of the Group's Investment Policy, the strategic direction and plans of the Group pertaining to investments and divestment activities;

Investment Decision

To review and recommend for the Board's approval of any Material Investment Decision requiring the Board's approval in accordance with established thresholds in the approved Limits of Authority of the Group, focusing on the following:

- Evaluate the risks associated with the investment/divestment/projects, funding options and costs, and investment returns and making its recommendation to the Board for approval of the investment/divestments/projects.
 - Advise the Board on potential risk response strategies that need to be adopted in relation to a decision to proceed with the investment/divestments/projects.
 - Monitor the execution/operationalisation of investments or projects and highlighting key risks to the Board as relevant.
 - To review the effectiveness of risk mitigating actions post approval for major investments and projects based on Group Risk Management assessments, and to report the same to the Board.
-

Statement on Risk Management and Internal Control

Responsibilities	Monitoring
(continued)	<ul style="list-style-type: none">To review the Group's investment portfolio to assess the performance of the Group's investments, including emerging risks and opportunities, market outlook (i.e. market study and market analysis), economic indicators, currency market, industry/regulatory developments as well as key business developments, which may affect the investment portfolio, Group's investment strategy and the Group's financial health.Any required changes to the Group's investment portfolio and Group's investment strategy shall be tabled to the Board for approval;To review actual financial and operational performance of investments or projects against projected returns (i.e. return on investment, implementation timelines), and reporting the same to the Board.

To undertake any other necessary duties, as mutually agreed by the Committee and the Board.

The Management Risk Committee ("MRC") continuously supports the BRIC in integrating risk management strategies, policies, risk tolerance and risk appetite as well as in reviewing the application of risk management practices across Malakoff Corporation Berhad, in line with its Enterprise Risk Management Policy and Framework ("ERMPF"). The ERMPF is in line with ISO 31000:2009 Risk Management – Principles and Guidelines codified by the International Organisation for Standardisation ("ISO").

Risk management is integrated into the Group's day to day business activities and risk-based evaluation is incorporated into its decision making process. This demonstrates the emphasis placed by the Board on the risk management agenda and underlines the importance of a well-managed risk management programme. Echoing the tone of the Board, the MRC continues to reinforce risk management principles among employees to ensure continuous improvement at all levels.

The Group defines risk as events that could affect its objectives. It is measured by the likelihood of the risk occurring and the impact if the risk occurs. The ERMPF will ensure that the process of identifying, evaluating and treating risk are in place to protect the Group from material losses. It will assist the Group in making decisions and prioritising the implementation of the risk treatment.

The below risk matrix depicts the likelihood and impact parameters used to measure and assess the Group's risk level.

LIKELIHOOD \ IMPACT	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain					
Likely					
Possible					
Unlikely					
Rare					

MONITORING AND REVIEW

Monitoring and reviewing of risks is an essential and integral part of the risk management process for the Group. Monitoring and reviewing the risk provides the Group reasonable assurance that risks are being managed effectively as expected and ensure that risk profiles anticipate and reflect the changing business conditions and potential exposure.

CORPORATE DIGITAL ASSURANCE

To enhance the Group's risk management practices, a Corporate Digital Assurance module had been employed in the Enterprise Risk Management ("ERMS"). The scorecard owners, risk owners, control owners and action plan owners are required provide assurance with respect to the status of all material risks, controls and management actions.

The respective owners will provide assurance that they have reviewed and updated the Corporate Risk Scorecard system with the status of all material risks, controls and management actions.

In relation to the Risk Management process, the owners also certify that:

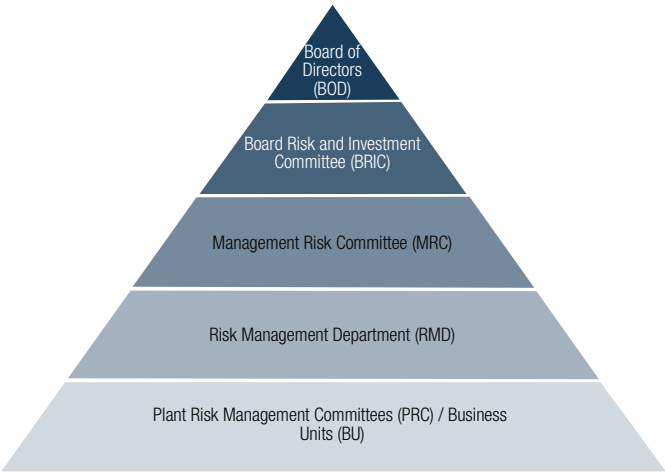
- The risks, controls and management actions information within the Corporate Risk Scorecard are accurate and complete.
- Where exposure is considered acceptable they have documented and validated that the control activities are in place and are effective.
- Where an individual risk has been assessed as unacceptable, management actions have been formulated and individuals have been identified as owners, with accompanying due dates to address the risk.
- To the extent that an individual risk is not perceived to be within their control (either directly or as delegated to the immediate Management team), it will be documented and elevated to the appropriate level of Management within the Group.

In addition, the owners also confirm that the risk management process has been complied with and the information for which they are responsible for under Corporate Risk Scorecard fairly reflects the position of the Group.

Statement on Risk Management and Internal Control

Risk Reporting

On a quarterly basis, the identified risks are discussed and deliberated at the MRC meeting chaired by the Chief Executive Officer (“CEO”). The reports are subsequently tabled to the BRIC for deliberation and recommendations. The Board notes the report on the risks faced by the Group and actions taken by Management to mitigate the risks. The overview of the Group’s reporting structure is provided in the table below:



Malakoff Corporation Berhad strives to continually improve the processes in place and will further enhance these practices based on the recommendations of MCCG 2017 and the revised guidelines on the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers.

INTERNAL CONTROL SYSTEM

The key features of the Group control structure that provide reasonable assurance against the occurrence of an event that could prevent the achievement of business objectives are as follows:

The Board

The Board of Malakoff Corporation Berhad provides direction and oversight on internal controls. The terms of reference and responsibilities are defined together with the Board Charter. The specific lines of responsibility, accountability and delegation of authority as approved by the Board to facilitate the Group’s operations is the obligation of the CEO and MRC.

Business Plan, Budget and Reporting

Malakoff Corporation Berhad establishes annual business plans and budgets that have been recommended by Management and approved by the Board before commencement of the new financial year.

The Board reviews the result against budget on a quarterly basis in conjunction with the public announcement of the Group’s quarterly financial result under the Main Market Listing Requirement of Bursa Securities.

The Board also reviews Malakoff’s Sustainability Statement which summarises the management of material aspects of operations in particular, economic, environment and risks, as well as opportunities.

Policies and Procedures

Documented internal policies and procedures are in place to ensure compliance with internal controls and the relevant rules and regulations. They are reviewed regularly to ensure that the gaps in controls are addressed and where required, policies and procedures are revised to meet with the business climate.

Limit of Authorisation

Authorisation limits in respect of organisational requirements such as purchasing of goods and services, cash management and disbursements, contracting and banking transactions are clearly defined and documented. The limits are reviewed and updated regularly to reflect the business environment, operational and structural changes of the Group.

Internal Audit

The Group Internal Audit Division (“GIA”) provides an independent and objective assurance on governance, risk management and control processes designed to improve and add value to the Group. This includes evaluating the adequacy, effectiveness and integrity of internal control system and risk exposures relating to the organisation’s governance, operations and information system.

GIA reports functionally to the Board Audit Committee (“BAC”) and administratively to the CEO. GIA is independent of the activities that it audits and performs its duties in accordance with the Internal Audit Charter as approved by the BAC.

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

Whistle-Blowing

The Group’s Whistle-blowing Policy established in 2014 provides employees and third parties dealing with the Group with proper procedure to disclose cases of Improper Conduct such as misconduct or criminal offences or malpractices.

A Whistle-blower is assured confidentiality of identity, to the extent reasonably practicable. This includes protecting the Whistle-blowers from Detrimental Actions that may result from the disclosure of

Improper Conduct, provided that the disclosure is made in good faith. The Whistle-blowing Policy is also to ensure that fair treatment is provided to both the Whistle-blower and the alleged wrongdoer when a disclosure of Improper Conduct is made.

A disclosure of Improper Conduct can be made orally or in writing to the Chairman of the Board Audit Committee via a letter or e-mail to whistleblowing@malakoff.com.my.

The Chief Internal Auditor is responsible for the administration, interpretation and application of the Whistle-blowing Policy and any amendment to this Policy shall be affected by the Chief Internal Auditor, subject to the approval of the CEO, the Chairman of the Board Audit Committee and the Board of Directors.

Joint Venture and Associates

Malakoff Corporation Berhad ensures that investment and interest in material joint ventures and/or associates, are protected by having board representation at the respective joint ventures and/or associates. The management of the joint ventures and/or associates is also responsible to oversee the operation and performance of the joint venture and/or associates.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM EFFECTIVENESS

The Board reviews the effectiveness of the risk management and internal control system through the following monitoring and assessment mechanisms:

- A quarterly review of the Group's actual financial and operational performance against planned performance and other key financial and operational performance indicators.
- The Risk Management Department's presents the Risk Management Report to the BRIC every quarter to provide an overview of the Group's key risks and action plans in mitigating the risks. The BRIC notes and provides its views which are then communicated to the respective risk owners by the Risk Management Department. The report is then escalated to the Board upon deliberation by BRIC; and
- BAC deliberates and discusses reports issued by the Internal Audit report and external auditors pertaining to financial, operational, governance, risk management and control matters. The status of preventive and corrective actions for issue discussed are also updated to the BAC to enable monitoring of the actions.

COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS

The risk management and internal control defined above have been in place for the year under review and up to the date of approval of this statement for inclusion in the annual report.

In making this statement, the Board had received assurance from the CEO, Chief Financial Officer and Head of Risk Management that the risk management and internal control process are operating adequately and effectively, in all material aspect for the reporting period.

The Board is of the opinion that the risk management and internal control are adequate and effective in providing reasonable assurance for the year under review.

There was no major internal control weakness identified during the year under review that may result in any material loss that would require disclosure in this statement.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This statement is made in accordance with the resolution of the Board dated 8 March 2018.

Board Audit Committee Report

The Board of Directors ("**Board**") of Malakoff Corporation Berhad ("**Malakoff**" or "**Company**") is pleased to present the Board Audit Committee ("**BAC**" or "**Committee**") Report as at 8 March 2018 which provides an overview on how the BAC discharged its functions and duties in FY2017.

MEMBERS OF BAC

Datuk Dr. Syed Muhamad Syed Abdul Kadir

*Independent Non-Executive Director
Chairman*

Datuk Idris Abdullah

*Independent Non-Executive Director
Member*

Datuk Ooi Teik Huat

*Non-Independent Non-Executive Director
Member*

*(Member of the Malaysian Institute of Accountants ("**MIA**")
and Certified Public Accountant ("**CPA**") Australia)*

Datuk Rozimi Remeli

*Independent Non-Executive Director
Member
(Appointed on 8 March 2018)*

COMPOSITION AND ATTENDANCE

The BAC comprises four (4) members, all of whom are Non-Executive Directors ("**NEDs**"); three (3) Independent NEDs and one (1) Non-Independent NED. This meets the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**").

During the year, the Committee saw a change in its membership when Tan Sri Dato' Seri Alauddin Dato' Md Sheriff, an Independent NED, ceased to be a member of the BAC following his resignation as a Director of Malakoff on 16 October 2017. He was subsequently replaced by Datuk Rozimi Remeli, an Independent NED on 8 March 2018.

The Board has reviewed the terms of office of the BAC members and assessed the performance of the BAC and its members through an annual Board Committee effectiveness evaluation.

The Board is satisfied that the BAC and its members had discharged their functions, duties and responsibilities in accordance with the BAC's Terms of Reference ("**TOR**") in supporting the Board in ensuring that Malakoff and its subsidiaries ("Malakoff Group") upholds appropriate Corporate Governance ("**CG**") standards. The TOR of the BAC were also reviewed and amended on 21 February 2018 to reflect the requirements of the applicable practices and guidance of the Malaysian Code on Corporate Governance ("**MCCG**") 2017.

MEETINGS

The BAC met six times during FY2017 and had accordingly complied with the frequency of meeting requirement under its TOR. The BAC members and their attendance at the BAC meetings are as follows:

Members	No. of meetings attended
Datuk Dr. Syed Muhamad Syed Abdul Kadir	6 of 6
Datuk Idris Abdullah	6 of 6
Datuk Ooi Teik Huat	6 of 6
Datuk Rozimi Remeli	*Note 1
Tan Sri Dato' Seri Alauddin Dato' Md Sheriff (resigned w.e.f. 16 October 2017)	5 of 5

*Note 1: Datuk Rozimi Remeli was appointed on 8 March 2018.

The Group Managing Director/Chief Executive Officer together with the members of the Management Committee were invited to all BAC meetings. The involvement of these senior executives enabled direct communication between the Management and the BAC members so that the internal control, governance as well as operational issues deliberated at the BAC meetings are better appreciated by the BAC.

Representatives of the External and Internal auditors were invited to attend the meetings of the BAC as appropriate. The Chief Internal Auditor attended all BAC meetings to table the Internal Audit ("**IA**") reports covered under the approved IA plan for the year. The Heads of Divisions or Departments of the relevant auditees were invited to brief the BAC on specific issues arising

from the audit reports or any other matters requested by the BAC. Their presence at the meetings provided the auditees an opportunity to receive direct feedback from the BAC and a platform to clarify the audit findings to the BAC and action plans to be undertaken to improve the weaknesses identified.

The External Auditors (“**EA**”) were engaged to conduct a limited review of Malakoff Group’s quarterly financial statements. These limited reviews provided the BAC an assurance of consistency and reliability of Malakoff Group’s quarterly financial statements as well as compliance with applicable financial reporting standards.

The Company Secretaries are also the Secretary of the BAC. Minutes of each BAC meeting were recorded and tabled for confirmation at the following BAC meeting. Such confirmed/ to be confirmed minutes were included as part of the papers of the Board for the Board’s information and notation.

SUMMARY OF WORK

The BAC’s work during FY2017 comprised the following:

(i) Financial Reporting

The BAC reviewed and recommended for the annual audited financial statements for the Financial Year (“**FY**”) 2016 be approved and adopted by the Board at its meeting on 7 March 2017.

The quarterly financial statements for FY2017, which were prepared in accordance with the Malaysian Financial Reporting Standards (“**MFRS**”) 134 Interim Financial Reporting and Appendix 9B of the MMLR of Bursa Malaysia, were reviewed by the BAC at its meetings on 19 May 2017, 18 August 2017, 20 November 2017 and 20 February 2018.

The annual audited financial statements for FY2017 were reviewed by the BAC on 6 March 2018. The Board had, based on the BAC’s recommendation, approved and adopted the audited financial statements for FY2017 and will accordingly table the said financial statements to the shareholders at its forthcoming Twelfth Annual General Meeting (“**AGM**”).

The BAC reviewed the quarterly financial statements and annual audited financial statements of the Malakoff Group together with the Management and the EA before recommending the same for the Board’s approval.

During the review of the financial statements, the following were carried out by the BAC:

- discussed and reviewed with Management and EA on the accounting policies adopted by the Group to ensure compliance with the applicable approved accounting standards including the appropriateness of the accounting provisions and changes in estimates made in the financial statements of the Group; and
- reviewed the declaration of the final and interim dividends of the Company including the solvency test required under Companies Act 2016, ensuring that the Company will remain solvent for the next 12 months immediately after the above dividend distributions were made, before such declarations of dividends were recommended for approval of the Board.

(ii) External Audit

At each of the quarterly meetings of the BAC for the year 2017, new and recurring significant audit findings arising from the limited review were reported by the EA to the BAC. These include quarterly financial reporting issues, significant judgements made by Management, and significant and unusual events or transactions. The EA report to the BAC would also include Management’s responses to the audit findings and their action plans to address the issues raised by the EA for the BAC’s notation and feedback, where necessary.

The BAC, at its meeting on 17 February 2017, requested the Management to review the mechanism of monitoring the non-audit services provided by the EA, Messrs. KPMG, under the non-audit service policy which was approved by the Board in November 2016, for practicality and effectiveness.

Subsequently, on recommendation of the BAC, the revised non-audit services policy for the Company’s EA was approved by the Board on 23 May 2017. Under the revised policy, the approval of the BAC is required for the engagement of the EA for non-audit services, if the cumulative non-audit fees for the year reaches 50.0 percent of the prior year’s audit fees (including the fees for limited quarterly review). The BAC believes that the 50.0 percent threshold is an appropriate level to keep the independence of the EA in check and ensure that the judgement of the EA will not be impaired.

Board Audit Committee Report

Following the adoption of the revised non-audit services policy, the Management had on a quarterly basis tabled the non-audit services rendered to the Malakoff Group by the EA to the BAC.

On 17 February 2017, the BAC also undertook an annual assessment of the quality of audit encompassing the performance of KPMG, the Quality Processes/Performance of the Engagement Team, Audit Team Independence, Objectivity and Professional Skepticism, Audit Scope and Planning Audit Fees, Audit Communication and Interaction for its statutory audit for FY2016. Assessment questionnaires were used as a tool to obtain inputs from each of the BAC members and the Management.

KPMG's performance was assessed using a four-point scale to, amongst others, measure the adequacy and competency of the audit team, the ability to provide advice, suggestions or clarifications using technical knowledge and independent judgement. The assessment had also evaluated whether the BAC was kept abreast by the EA on significant audit issues affecting the Malakoff Group and the impact of new accounting standards to the Malakoff Group's financial statements and whether active engagement was maintained by the EA with the BAC on the audit process, as well as their responsiveness to resolving issues.

The assessments of the EA by the BAC and the Management were duly noted by the Board at its meeting on 7 March 2017. With the satisfactory assessment given to KPMG, supported by the BAC's recommendation, the Board had recommended the re-appointment of KPMG as the EA for the FY2017. The re-appointment of KPMG as the EA of the Company was approved by the shareholders at the Eleventh AGM held on 19 April 2017.

For the audit in FY2017, a new KPMG engagement partner was assigned for the audit of the Malakoff Group, following a 5-year rotational cycle of engagement partner adopted by KPMG as its policy, in line with the By-Laws of the MIA. The new engagement partner's term will expire in 2022. The rotation of audit engagement partner assigned to the Malakoff Group will avoid familiarity threat and assure that objectivity and independence of the audit of the Malakoff Group will remain intact.

On 20 November 2017, the BAC reviewed the EA's 2017 Audit Plan outlining their scope of work and the proposed fees for the statutory audit together with limited reviews of the quarterly condensed consolidated financial statements drawn in accordance with MFRS and International Financial Reporting Standards. The audit was conducted in accordance with approved standards on auditing issued by the MIA and International Standards on Auditing. The BAC subsequently recommended the proposed audit fees to the Board for approval. The same was approved by the Board on 21 November 2017.

KPMG in its 2017 Audit Plan also presented the engagement team, timeline, areas of audit emphasis, involvement of others including subject matter experts and independent auditors of the Company's associates and joint venture companies, and key audit matters. The potential key audit matters were identified based on relevant factors affecting KPMG's risk assessment namely, size, complexity, external scrutiny and susceptibility to error. These key audit matters were subsequently discussed with the BAC and the Board and had been included as part of the Independent Auditors' Report in the audited financial statements included in the 2017 Annual Report.

The BAC held two private meetings with the EA in May and November 2017 without the presence of the Management. The BAC had, in consultation with the EA, requested the Company Secretary to schedule the private sessions with the EA at the BAC meetings before the start of the EA's statutory audit for the financial year (in 3rd quarter) in November and after the completion of the statutory audit (4th quarter) in February of the following year to maximise the benefits of the private sessions with the EA.

The non-audit services engaged with KPMG by the Malakoff Group for FY2017 amounted to RM539,623 (refer to Note 1), which was below 50 percent of the previous year's audit fees and were mainly in respect of tax compliance and tax advisory services. KPMG had provided a written assurance to the BAC that they were 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 necessary safeguards were in place when engaging KPMG to carry out non-audit services for the Group.

Note 1: The total non-audit services fees for KPMG recognised in FY2017 as disclosed in the annual audited financial statements amounted to RM1,521,000 consisting of the non-audit fees rendered during the year in relation to services engaged in FY2016 and FY2017.

Based on the above, the BAC is satisfied that the non-audit services provided during the year are compatible with applicable independence rules and standards for auditors, as well as the provisions stipulated in the non-audit service policy.

On 20 February 2018, the BAC undertook the annual assessment of the quality of audit rendered by KPMG during FY2017. Based on the improved rating of KPMG's performance, the BAC had accordingly supported the recommendation for the re-appointment of KPMG as the EA for the FY2018. Further information on the assessment of suitability, objectivity and independence of the EA by the BAC is provided in the CG report in accordance with Practice 8.3 of the MCCG 2017.

The Board at its meeting held on 8 March 2018 approved the BAC's recommendation to re-appoint KPMG for the FY2018, subject to the shareholders' approval at the forthcoming Twelfth AGM.

(iii) Internal Audit

During FY2017, the BAC had carried out the following:

- reviewed and approved the Annual IA Plan for FY2018 to ensure the adequacy of scope, coverage, budget, resources and authority for Group Internal Audit ("GIA") to carry out its work effectively;
- reviewed and deliberated on the IA reports tabled during the year by GIA which highlighted key control issues together with their root causes, risks, relevant audit recommendations for improvement along with Management action plans to address the control deficiencies;
- reviewed the progress and status of action plans or corrective actions undertaken by Management on audit issues to ensure all key risks and control deficiencies have been implemented and addressed;

- reviewed and deliberated on the results from investigation audits performed based on complaints received through Whistle-blowing channels and recommended appropriate remedial actions/measures to be taken;
- reviewed and deliberated on IA reports on the effectiveness and adequacy of governance, risk management, operational and control processes;
- reviewed and deliberated on follow-up audits on the adequacy and effectiveness of agreed corrective actions undertaken and implemented by Management on prior year audit issues to ensure non-recurrence;
- reviewed and recommended for the Board's approval the revision of the Company's Whistle-blowing policy to further enhance and improve the effective implementation of the policy within the Group;
- reviewed and approved the revised organisation structure of the GIA to ensure that it is adequately resourced to carry out its role and function effectively;
- reviewed the effectiveness of the internal audit function and assessed the performance of GIA in respect of the quality of audit, scope of the audit, adequacy of resources and suitability of staff for FY2017; and
- met with the Chief Internal Auditor without the presence of Management to ensure there were no restrictions on GIA's scope of work and to discuss any other matters that the GIA wishes to escalate to the BAC.

(iv) Related Party Transactions ("RPT")

The BAC had at its meetings held on 17 February 2017, 27 March 2017 and 20 February 2018, reviewed three RPTs proposed to be entered with the Company's related parties which were deemed persons connected to a major shareholder of the Company pursuant to the MMLR of Bursa Malaysia. The review by the BAC of these transactions was to ensure that the terms and conditions of the transactions were entered into at an arm's length, on normal commercial terms and not detrimental to the interest of the minority shareholders.

Board Audit Committee Report

Arising from the review of the RPTs, the BAC had put in place an internal checklist to ensure that pertinent and relevant factors are considered by the BAC in reviewing and considering the Group's RPTs. The internal checklist had been developed following the CG Guide ("**Guide**"), Edition 2 and incorporated as a template for board paper to be used as a guide in preparing board papers involving RPTs to be submitted to the BAC. With this, the BAC's consideration and deliberation on the Group's RPTs are carried out in a consistent manner and the principles of RPTs are comprehensively reviewed before the BAC makes the relevant recommendations to the Board.

The Group's RPTs and recurrent related party transactions ("**RRPTs**") for the preceding 12 months up to end of each reporting quarter as well as the forecast RPTs and RRPTs for the next 12 months period from the end of reporting quarter are also reported on a quarterly basis to the BAC and the Board. The reporting of these transactions are coordinated, through the Corporate Secretarial Department, from all departments/subsidiaries and business units within the Group, before the same are presented to the BAC and the Board. The departments/subsidiaries and business units within the Group are guided by the principles set out in the RPT Policies & Procedures ("**RPT P&P**") of the Company when dealing with RPTs.

The annual review by the Company's GIA as prescribed in the RPT P&P is carried out to ensure that the information provided to the Corporate Secretarial Department is accurate and that the RPTs and RRPTs are in compliance with the MMLR of Bursa Malaysia and were undertaken under normal commercial terms. The GIA will provide the necessary assurance to the BAC that the internal control with regard to RPTs and RRPTs is adequate to ensure that all transactions with related parties are identified and recorded.

With the above frameworks, the BAC is sufficiently assured that the RPTs and conflict of interest situations, including RRPTs, are identified, evaluated, presented for review and approval, and reported as required.

INTERNAL AUDIT FUNCTION

The GIA was established to support the Board through the BAC in discharging its duties and governance responsibilities of maintaining a sound internal control system to safeguard shareholders' investment, the interest of stakeholders and the Group's assets.

The IA 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. At the same time, GIA assists the BAC and Management to achieve the Company's goals and objectives by bringing a systematic and disciplined approach in evaluating and improving the effectiveness of governance, risk management and control processes within the Group. This function serves as an important source of support for the BAC concerning areas of weaknesses or deficiencies in internal processes to facilitate appropriate remedial measures by the Company.

The purpose, authority, responsibility, independence and objectivity of GIA are spelt out in the IA Charter as approved by the BAC which establishes the framework for the effective and efficient functioning of GIA. The standards and practices adopted by GIA are aligned to the International Professional Practices Framework issued by the Institute of Internal Auditors.

GIA has an independent status within the Group and is independent of the activities and functions that it audits. GIA reports directly and functionally to the BAC and administratively to the Chief Executive Officer. The BAC also reviews and approves the appointment and removal of the Chief Internal Auditor, the Annual IA 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 roles and responsibilities of GIA are as follows:

- (a) 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:
 - (i) achievement of the Group's strategic objectives;
 - (ii) reliability and integrity of financial and operational information;
 - (iii) effectiveness and efficiency of operations;
 - (iv) safeguarding of assets;
 - (v) economic utilisation of resources; and
 - (vi) compliance with relevant laws, regulations, policies, procedures and contractual obligations;
- (b) prepare a risk based Annual IA Plan that is aligned to the Company's strategic objectives and takes into consideration of past audit history, inputs and feedback on any risk and control concerns from the BAC and Management;
- (c) carry out IA assignments in accordance with the approved Annual IA Plan and report to the BAC on key control issues, its' root causes, risks, relevant audit recommendations for improvement, along with Management's responses and agreed action plans;
- (d) monitor the progress of Management's agreed action plans or corrective actions to address the control issues highlighted by GIA;
- (e) perform follow-up audits to determine whether the Management's agreed action plans or corrective actions highlighted from past audit reports have been correctly implemented and adhered to consistently;
- (f) undertake ad-hoc assignments, special reviews or audit investigations as requested by the BAC or Management and presenting the results to the BAC or the Management; and
- (g) maintain professional audit staff with sufficient knowledge, experience and skills.

In addition, GIA is also responsible for the administration of the Group's Whistle-blowing Policy which provides an avenue for employees and third parties dealing with the Company to disclose cases of any improper conduct such as misconduct,

criminal offences or malpractices to the Company. Any disclosure of improper conduct can be made orally or in writing to the Chairman of the BAC via letter or e-mail to whistleblowing@malakoff.com.my.

For the FY2017, GIA conducted various IA assignments in accordance with the Annual IA Plan that is consistent with the Company's goals, complexity and risks of its activities. During the year, GIA had carried out fourteen (14) full audits, seven (7) follow-up audits and four (4) special review assignments or investigations covering the areas of power plant operation and maintenance, inventory and warehouse management, procurement, finance, human resource and health, safety, security and environment.

The IA reports were tabled and presented to the BAC for deliberation, highlighting the key control issues together with the root causes, risks, relevant audit recommendations for improvement, along with Management's responses and agreed action plans to be implemented. The progress of these action plans is monitored by GIA and reported to the BAC by GIA on a quarterly basis.

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 disclosed on page 31 of this Annual Report.

The GIA has a sufficient mix of internal auditors with various knowledge, skills and competencies to perform its function and GIA is committed to equip its auditors with adequate knowledge and proficiencies to discharge their duties and responsibilities. The Company is also a corporate member of the Institute of Internal Auditors Malaysia which enables the internal auditors in GIA to keep abreast with developments in the IA profession and regulations as well as attending the necessary trainings organised by the Institute of Internal Auditors Malaysia. The total cost incurred by GIA for the FY2017 was RM1.69 million.

This BAC report is made in accordance with the resolution of the Board duly passed on 8 March 2018.

Additional Compliance Information

UTILISATION OF PROCEEDS

During the financial year, the utilisation of proceeds are as below:

Subsidiary	Debt raised	Utilisation of proceeds
Tanjung Bin Energy Sdn Bhd ("TBE")	Unrated Perpetual Sukuk of up to RM800 million in nominal value under the shariah principle of Wakalah Bi Al-Istithmar ("Sukuk Wakalah")	All the proceeds from the Sukuk Wakalah had been utilised for the redemption of the outstanding junior term loan facility in an aggregate amount of RM1,290 million pursuant to the turnkey contract dated 23 February 2012 made between TBE and Tanjung Bin Energy Issuer Berhad (as amended, supplemented and/or varied from time to time).
Malakoff International Limited ("MIL")	Term loan facility of USD80 million ("USD Term Loan")	All the proceeds raised from the USD Term Loan had been utilised for the payment of all outstanding amounts under MIL's existing term loan facility and payment of fees and related expenses.

AUDIT FEES AND NON-AUDIT FEES

The fees paid/payable to the external auditors, KPMG PLT and its affiliates ("KPMG") in relation to the audit and non-audit services to the Group and Company for the financial year ended 31 December 2017 are as follows:

	Group 2017 RM'000	Company 2017 RM'000
Audit fees	1,794	639
Non-audit fees*	1,521	941
	3,315	1,580

* Included in this non-audit fees is the amount payable for non-audit services incurred for the financial year 2016 but payable in the financial year 2017 for the Group and the Company amounting to RM988,000 and RM824,000 respectively. The non-audit fees paid/payable to KPMG were mainly related to tax compliance services and other advisory services largely in respect of potential business undertakings and loan refinancing activities.

MATERIAL CONTRACT

Tanjung Bin Power Sdn Bhd ("TBP"), a 90.0 percent owned subsidiary of Malakoff Corporation Berhad ("Malakoff"), has on 4 August 2017 signed an agreement with IHI Corporation Japan, ISHI Power Sdn Bhd, IHI Power Systems (M) Sdn Bhd, Sumitomo Corporation, Zelan Holdings (M) Sdn Bhd ("ZHSB") and Sumi-Power Malaysia Sdn Bhd to resolve and settle the disputes between the parties in connection with the boiler tube failure incidents at the power station consisting of three 700 MW coal-fired units owned and operated by TBP ("Plant") and the inability of the Plant to meet certain required output conditions.

MMC Corporation Berhad ("MMC"), being a major shareholder of Malakoff, holds 39.25 percent of Zelan Berhad ("ZB"), which in turn is the holding company of ZHSB. The nominee directors of MMC on the Board of Malakoff at the time of signing of the aforementioned agreement were Dato' Sri Che Khalib Mohamad Noh, Datuk Ooi Teik Huat and Datuk Muhamad Noor Hamid and Mr. Kohei Hirao, the Special Senior Advisor to Albukhary Group, which amongst others includes MMC. Dato' Sri Che Khalib Mohamad Noh and Datuk Ooi Teik Huat were also directors of ZB at the time of signing of the aforementioned agreement.