

---

# Corporate Governance Overview Statement

## INTRODUCTION

The Board of Directors (“**Board**”) of Lafarge Malaysia Berhad (“**Company**”) believes that a sound corporate governance structure is vital to ensure sustainability as well as business growth. Hence, the Board continues to be fully committed in maintaining a high standard of corporate governance within the Company through its support and application of the principles and practices in corporate governance as set out in the Malaysian Code on Corporate Governance 2017 (“**Code**”). In this regard, the Board also continues to evaluate its governance practices in response and alignment to evolving industry best practices to ensure that the Company remains competitive and relevant in every aspect.

The Board is pleased to report an overview of the extent to which the Principles set out in the Code were applied throughout the financial year ended 31 December 2018 (“**FY2018**”) in this Corporate Governance Overview Statement (“**CG Overview Statement**”). Where appropriate, this CG Overview Statement also seeks to disclose all information that is required pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”).

For the period under review, the Company has essentially complied with the recommended practices of the Code. The status of the Company’s application to the Code is disclosed in our Corporate Governance Report (“**CG Report**”) that may be downloaded from the Company’s corporate website ([www.lafarge.com.my](http://www.lafarge.com.my))

## **PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS**

### **BOARD OF DIRECTORS**

#### **Roles and Responsibilities of the Board**

The Board plays an active role in the development of the Company’s strategy. The Company’s strategies and business plan are presented to the Board during Board meetings and the Board reviews and deliberates on Management’s proposals and recommendations.

At each meeting, the CEO together with other members of the Management team present reports to the Board on various management issues. The Board also receives a comprehensive summary of the Company’s financial performance during each reporting period.

The relevant members of the Management team will be in attendance at the Board Meeting to support the CEO in presenting these updates and to provide clarifications on the challenges and issues raised by the Board.

## **Board Charter**

The Board Charter formalises and sets out the roles and responsibilities, composition, operation and processes of the Board. It is reviewed periodically and published on the Company’s website. The Board Charter sets out the Board’s authority and power to delegate certain functions to its Committees and the Management. The Board Charter is assessable on the Company’s website at [www.lafarge.com.my](http://www.lafarge.com.my)

## **The Role of Chairman**

The Chairman ensures that the Company is guided by good corporate governance practices. The Chairman facilitates robust dialogue during Board meetings and draws out diverse perspective from the Board members. He ensures that there is a good balance between the time allocated to governance matters and discussions on business performance and strategies at board meetings.

## **Separation of positions of the Chairman and CEO**

There is a clear division of responsibility between the Chairman and the CEO. This division of duties is spelt out in the Board Charter. The Chairman is an independent director who has never assumed an executive position in the Company. The CEO is an appointee of the major shareholder and heads the Executive Management team.

## **Appointment Process**

The Board, through the Remuneration & Nomination Committee, is responsible for ensuring that there is an effective and orderly succession planning in the Company. The Committee reviews candidates for key management positions and formulates nomination, selection and succession policies for members of the Board. The Board then deliberates on the Committee’s recommendations.

In respect of the appointment of all directors, the Committee considers shortlisted candidates based on their profiles, professional achievements and personality assessments. Appropriate candidates for independent directors are sourced through recruitment firms based on the needs of the Board. The Committee then ensures that the candidates are suitable and of sufficient calibre for recommendation to the Board for approval, by reviewing the profiles of candidates professional achievements and personality assessments and where deemed appropriate, conducting interview with the shortlisted candidates.

Upon the appointment of independent directors, the director will receive a letter of appointment enclosing the Board Charter and Directors’ Manual which outlines his/her duties and

---

---

# Corporate Governance Overview Statement

responsibilities and disclosure required of him/her in compliance with the relevant sections of the Companies Act 2016, Capital Market & Services Act 2007 and the Listing Requirements. Where appropriate, an on-boarding program for newly appointed independent directors will be organized by the Company's Human Resources Department to introduce the new independent director to members of Management and familiarize themselves with the Company's operations and the industry as a whole.

## **Board Composition, Balance and Diversity**

The Board currently consists of 3 independent directors and 4 non independent directors. This is in compliance with paragraph 15.02 of the Listing Requirements which requires at least 2 Directors or one-third of the membership of the Board to be independent, whichever is higher. The Chairman of the Board and Chairmen of the Board Committees are all Independent Non-Executive Directors.

The Board considers the size of the Board to be appropriate and that the composition fairly reflects the investment of minority shareholders. The proportion of the independent directors ensures effective check and balance on the Board with the independent directors acting as caretakers for the minority shareholders.

The Board has taken into account the environment that the Company operates in, size and complexity, and the nature of risks and challenges faced in applying the Corporate Governance Code. It agrees that LafargeHolcim is required to control the majority representation on the Board of Directors of all its listed subsidiaries in view that the Company is in the building materials industry which has high barriers to entry, is capital intensive in nature and has immense foreign direct investment.

Where there is an equality of votes then the independent Chairman of the Board has a further or casting vote under the existing Constitution. In practice, decisions of the Board are only carried with the unanimous approval of the entire Board and in the case of approvals for related party transactions, decisions are only deliberated and voted on by the independent directors and only carried with their unanimous approval. In the unlikely situation of any dissenting views by the directors, the proposal is deferred pending further information from Management or the proposal is abandoned.

The Chairman of the Remuneration & Nomination Committee is always an independent director. This is contained in the Terms of Reference for the Committee.

The Company has a policy on gender diversity which is contained in the LafargeHolcim Group Code of Business Conduct. The policy

promotes a workplace which is fair and inclusive irrespective of race, religion, gender, sexual orientation or any other difference. This Code is published on the Company's website. Currently, there are 2 women directors out of 7 directors on the Board. The Board acknowledges the importance of maintaining at least 30% female representation on the Board.

The Company's Board and Management consist of qualified individuals with a good mix of technical and commercial experience. Members of the Board and Management have both local and international operational experience and together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience.

## **Tenure of Independent Director**

The Board currently has only one independent director who has served for more than 12 years i.e. the Chairman of the Board. In the past 2 years the Board has appointed 4 new directors of diverse skills and experience. However they are still new to the industry and the Chairman's experience is more pertinent than ever to help steer the Company through the current challenging environment. The Board believes that a phased approach on the issue of succession should be taken and will not introduce the 2 tier voting process at the AGM until a suitable successor to the Chairman can be determined.

## **Qualified and Competent Company Secretaries**

Both the company secretaries have legal credentials, are qualified to act as company secretary under Section 235 of the Companies Act 2016 and are part of the Company's Management team. All Board members have access to the advice and services of the company secretaries in carrying out their duties. The company secretaries facilitate overall compliance with the Listing Requirements, the Companies Act 2016 and the recommendations in the Code.

## **Access to Information and Advice**

All Board members are furnished with the agenda and board papers which set out the matters to be discussed not less than 7 days prior to the meeting. All proceedings of board meetings are minuted and circulated to the Board members well in advance of the next Board meeting.

---

# Corporate Governance Overview Statement

Further details on Board meetings are set out below.

## Meetings of the Board

The Board meets at least four (4) scheduled Board meetings a year and more depending on business exigencies, where appropriate. In FY2018, 4 Board meetings were held in total. In addition to the scheduled Board meeting, all of the Board members are also required to attend the Company's Annual General Meeting. Likewise, decisions of the Board are also made by way of circular resolutions in between scheduled meetings during the financial year.

Directors' attendance at Board meetings and the Annual General Meeting for the year ended 31 December 2018 are as follows:

	Scheduled Meetings		
	Attendance	%	AGM
<b>Current Board Members</b>			
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar (Chairman, Independent Non-Executive Director)	4/4	100	1/1
Martin Kriegner (Vice Chairman, Non-Independent Non-Executive Director)	4/4	100	0/1
Yeoh Khoon Cheng <sup>(1)</sup> (Chief Executive Officer, Executive Director)	2/2	100	0/0
Y.M. Tunku Afwida Binti Tunku A.Malek (Independent Non-Executive Director)	4/4	100	1/1
Datuk Muhamad Noor Bin Hamid (Independent Non-Executive Director)	4/4	100	1/1
Ar. Datuk Tan Pei Ing <sup>(2)</sup> (Non-Independent Non-Executive Director)	3/3	100	1/1
John Stull <sup>(3)</sup> (Non-Independent Non-Executive Director)	3/3	100	1/1
<b>Former Board Members</b>			
Mario Bastian Gross <sup>(4)</sup> (President & Chief Executive Officer, Executive Director)	2/3	67	1/1
Tan Sri Rebecca Fatima Sta Maria <sup>(5)</sup> (Independent Non-Executive Director)	3/4	75	1/1
Michael Lim Yoke Tuan <sup>(6)</sup> (Chief Financial Officer, Executive Director)	2/2	100	1/1
Thierry Legrand <sup>(7)</sup> (President & Chief Executive Officer, Executive Director)	1/1	100	0/0
Daniel Nikolaus Bach <sup>(8)</sup> (Non-Independent Non-Executive Director)	1/1	100	0/0
Jean Desazars de Montgailhard <sup>(9)</sup> (Non-Independent Non-Executive)	1/1	100	0/0
<b>Current Company Secretaries</b>			
Koh Poi San (Company Secretary)	4/4	100	1/1
Serene Lee Huey Fei <sup>(10)</sup> (Joint Company Secretary)	2/2	100	0/0
<b>Former Company Secretary</b>			
Katina Nurani Abd Rahim <sup>(11)</sup> (Company Secretary)	1/1	100	0/0

### Notes:

- <sup>(1)</sup> Appointed as Chief Financial Officer w.e.f. 1 August 2018 and subsequently as Interim Chief Executive Officer w.e.f. 16 November 2018 and resigned as Chief Financial Officer and re-designated as Chief Executive Officer on w.e.f. 13 March 2019;
- <sup>(2)</sup> Appointed as Non-Independent Non-Executive Director w.e.f. 20 April 2018;
- <sup>(3)</sup> Appointed as Non-Independent Non-Executive Director w.e.f. 20 April 2018;
- <sup>(4)</sup> Appointed as President & Chief Executive Officer, Executive Director w.e.f. 1 April 2018 and re-designated as Non-Independent Non-Executive Director w.e.f. 16 November 2018, following which resigned as Non-Independent Non-Executive Director w.e.f. 31 December 2018;
- <sup>(5)</sup> Resigned as Independent Non-Executive Director w.e.f. 31 December 2018;
- <sup>(6)</sup> Resigned as Chief Financial Officer, Executive Director w.e.f. 31 July 2018;
- <sup>(7)</sup> Resigned as President & Chief Executive Officer, Executive Director w.e.f. 1 April 2018;
- <sup>(8)</sup> Resigned as Non-Independent Non-Executive Director w.e.f. 20 April 2018;
- <sup>(9)</sup> Resigned as Non-Independent Non-Executive Director w.e.f. 20 April 2018;
- <sup>(10)</sup> Appointed as Joint Company Secretary w.e.f. 15 October 2018; and
- <sup>(11)</sup> Resigned as Company Secretary w.e.f. 8 March 2018.

# Corporate Governance Overview Statement

## Remuneration Policy

The Company's Remuneration policy is set out below:

### The Company's Remuneration Policy

Executive Directors	Non-Executive Directors												
<p>i. Following a benchmarking exercise and recommendation by the Company's Human Resources Director, the Remuneration &amp; Nomination Committee considers and recommends to the Board for approval, the framework for the Executive Directors' remuneration and final remuneration package</p> <p>ii. Executive Directors receive performance bonuses based on the achievement of specific goals related to their respective performance as well as the performance of the Company</p> <p>iii. The Executive Directors' remuneration package comprises fees, benefits in-kind and other emoluments</p> <p>iv. The Executive Directors' performance bonus in respect of each financial year is reviewed and approved by the Remuneration &amp; Nomination Committee, for recommendation to the Board in the first quarter of each financial year</p>	<p>i. Non-Executive Directors receive directors' fees. They do not receive any performance related remuneration. Any increase in the Non-Executive Directors' fees is recommended by the Remuneration &amp; Nomination Committee and approved by the Board and ratified by the shareholders' at the annual general meeting</p> <p>ii. The Non-Executive Directors' remuneration reflects the level of responsibilities undertaken by the Non-Executive Director and time commitments expected of him/her, and is benchmarked against other public listed companies of similar size and/or industry</p> <p>iii. The remuneration for the Non-Executive Directors of the Board and members of the Board Committees which was approved by the shareholders at the 66<sup>th</sup> AGM held on 24 May 2016 are as follows:</p> <table data-bbox="850 1049 1450 1415"> <tbody> <tr> <td>Non-Executive Chairman</td> <td>RM126,000 p.a</td> </tr> <tr> <td>Non-Executive Directors</td> <td>RM55,125 p.a.</td> </tr> <tr> <td>Chairman of Audit &amp; Risk Management Committee</td> <td>RM22,750 p.a.</td> </tr> <tr> <td>Members of Audit &amp; Risk Management Committee</td> <td>RM15,600 p.a.</td> </tr> <tr> <td>Chairman of Remuneration &amp; Nomination Committee</td> <td>RM12,600 p.a.</td> </tr> <tr> <td>Members of Remuneration &amp; Nomination Committee</td> <td>RM5,250 p.a.</td> </tr> </tbody> </table>	Non-Executive Chairman	RM126,000 p.a	Non-Executive Directors	RM55,125 p.a.	Chairman of Audit & Risk Management Committee	RM22,750 p.a.	Members of Audit & Risk Management Committee	RM15,600 p.a.	Chairman of Remuneration & Nomination Committee	RM12,600 p.a.	Members of Remuneration & Nomination Committee	RM5,250 p.a.
Non-Executive Chairman	RM126,000 p.a												
Non-Executive Directors	RM55,125 p.a.												
Chairman of Audit & Risk Management Committee	RM22,750 p.a.												
Members of Audit & Risk Management Committee	RM15,600 p.a.												
Chairman of Remuneration & Nomination Committee	RM12,600 p.a.												
Members of Remuneration & Nomination Committee	RM5,250 p.a.												

# Corporate Governance Overview Statement

## a) Directors' Remuneration

The detailed disclosure on named basis for the remuneration of individual independent directors started in the financial year 2016 and the same is disclosed in the Annual Report 2017. For Executive Directors, the disclosure was on an aggregated basis.

The aggregate remuneration of all Directors for FY2018, which is paid by the Company are categorised into appropriate components as set out below.

(i) Details of Non-Executive Directors' fees and other remuneration (including benefits-in-kind) for FY2018 are as follows:

	Salary and *Other Emoluments (RM)	Directors' Fees & Other Remuneration (RM)	Benefits In-Kind (RM)	Total (RM)
<b>Non-Executive Directors</b>				
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	–	138,600	–	–
Martin Kriegner	–	–	–	–
Y.M. Tunku Afwida Binti Tunku A.Malek	–	77,875	–	–
Datuk Muhamad Noor Bin Hamid	–	75,975	–	–
Ar. Datuk Tan Pei Ing	–	–	–	–
John Stull	–	–	–	–
<b>Former Non-Executive Directors</b>				
Tan Sri Dr Rebecca Fatima Sta Maria	–	60,375	–	–
Daniel Nikolaus Bach	–	–	–	–
Jean Desazars de Montgailhard	–	–	–	–

(ii) Aggregates Remuneration of Executive Directors categorised into appropriate components for FY2018 is as follows:

	Salary and *Other Emoluments (RM)	Directors' Fees & Other Remuneration (RM)	Benefits In-Kind (RM)	Total (RM)
<b>Executive Directors</b>	4,005,661	–	191,155	4,196,816

\* Other emoluments include bonus, fixed/cash allowance and the Company's contribution to pension/retirement benefit schemes/ Employees' Provident Fund.

---

# Corporate Governance Overview Statement

## b) Senior Management' Remuneration

The top 2 senior members of management are Executive Directors of the Company and their remuneration is in Aggregates Remuneration of Executive Directors in Page 33.

Disclosure of the remaining top 5 senior management (not on named basis, but described as SM3, SM4, SM5, indicating their remuneration bands are as set out below.

### Remuneration of members of Senior Management

Range (RM)		0 to 50,000	50,001 to 400,000	400,001 to 450,000	450,001 to 500,000	500,001 to 550,000	550,001 to 600,000
SM3	Salaries plus Other Emoluments Benefits In-Kind Total	X				X	X
SM4	Salaries plus Other Emoluments Benefits In-Kind Total	X			X	X	
SM5	Salaries plus Other Emoluments Benefits In-Kind Total	X		X	X		

The alternative measure as described above is sufficiently transparent and allows stakeholders to assess the reasonableness of the remuneration packages of the Company's Senior Management.

---

# Corporate Governance Overview Statement

## Evaluation of Board Effectiveness and Review of the Board Committees

The Board undertakes an annual evaluation of the Board's effectiveness. The Board's effectiveness was analysed and evaluated and the Board then reviewed and implemented measures against any issues discovered. The assessment for FY2018 was conducted internally and facilitated by the company secretaries.

The evaluation was carried out using questionnaires which covered the areas of Impact of the Board in Critical Issues, Drivers of Board Effectiveness, Board Composition & Structure, Individual Director Effectiveness and the Effectiveness of the Board Committees.

There was 100% participation in this exercise by the Board of Directors as well as members of the Management Team who have constant interaction with the Board of Directors. The strengths of the Board and the areas for improvement which

were identified following the evaluation have been noted and discussed by the Board and appropriate steps will be taken to address them.

The Remuneration & Nomination Committee analysed the results of the evaluation on Board Effectiveness and made recommendations on the same. Further, in accordance with the requirements of the Listing Requirements, the Committee also undertakes an annual review of the term of office and performance of the Audit Committee and its individual members. These reviews were carried out in November 2018 and results of the review were presented to and noted by the Board on 27 February 2019.

In carrying out the evaluation, the Board also considered whether the members have adequately refreshed their skills and knowledge. In this connection, the training undertaken by the Directors is set out below.

The Company will also carry out review of Board Effectiveness using independent consultants on a periodic basis.

## Directors' Training

Directors	Topics
<b>Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar</b>	<ul style="list-style-type: none"> <li>New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)</li> </ul>
<b>Martin Kriegner</b>	<ul style="list-style-type: none"> <li>New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)</li> <li>The International CEO Circle Meet (2 August 2018)</li> </ul>
<b>Yeoh Khoon Cheng</b>	<ul style="list-style-type: none"> <li>Update on MFRS 16 Impact on Financial Statement (16 November 2018)</li> <li>Materiality Assessment Workshop (29 November 2018)</li> <li>Anti-Bribery and Corruption Training (6 December 2018)</li> <li>Fair Competition Training (6 December 2018)</li> </ul>
<b>Y.M. Tunku Afwida Binti Tunku A.Malek</b>	<ul style="list-style-type: none"> <li>Gamuda Cyber Security Awareness 2018 (12 February 2018)</li> <li>New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)</li> <li>5<sup>th</sup> BNM-FIDE Forum Annual Dialogue (19 April 2018)</li> <li>Fundamentals of Financial Statement (7-8 May 2018)</li> <li>Understanding Fintech and Its Implications for Banks (3 July 2018)</li> <li>1<sup>st</sup> PIDM-FIDE FORUM Dialogue (10 July 2018)</li> <li>Islamic Finance for Board Programme (11-2 July 2018)</li> <li>International Malaysia Law Conference 2018 (14 August 2018)</li> <li>AMLATFPUAA 2001: Risk, Challenges &amp; Vulnerabilities towards Risk Based Approach (12 September 2018)</li> <li>Islamic Finance for Board Programme (19-20 September 2018)</li> <li>Update on MFRS 16 Impact on Financial Statement (16 November 2018)</li> <li>BNM-FIDE Forum Board Conversations: Dialogue with Senior Officials of BNM (27 November 2018)</li> </ul>
<b>Datuk Muhamad Noor Bin Hamid</b>	<ul style="list-style-type: none"> <li>Briefing on the MCGG 2017 (10 January 2018)</li> <li>New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)</li> <li>Update on MFRS 16 Impact on Financial Statement (16 November 2018)</li> </ul>
<b>Ar. Datuk Tan Pei Ing</b>	<ul style="list-style-type: none"> <li>Mandatory Accreditation Program (23-24 July 2018)</li> <li>Update on MFRS 16 Impact on Financial Statement (16 November 2018)</li> </ul>
<b>John Stull</b>	<ul style="list-style-type: none"> <li>Mandatory Accreditation Program (23-24 July 2018)</li> </ul>

# Corporate Governance Overview Statement

Former Directors	Topics
<b>Mario Gross</b>	<ul style="list-style-type: none"> <li>Mandatory Accreditation Program (29-30 November 2018)</li> </ul>
<b>Tan Sri Dr Rebecca Fatima Sta Maria</b>	<ul style="list-style-type: none"> <li>Presented paper on “Non-Tariff Measures in Asean and the Reduction of Unnecessary Regulatory Burden” at the Research Institute Network Meeting, Jakarta (29 January 2018)</li> <li>Roundtable on Connectivity and Innovation (30 January 2018)</li> <li>Panellist Asean Forum, National University of Singapore-AEC: Challenges and Opportunities (1 February 2018)</li> <li>Panellist Sweden-South East Asia Business Summit &amp; South East Asia: sustainable growth strategies in a changing international economic environment (6 February 2018)</li> <li>New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)</li> <li>Briefing on guidelines of the Malaysian Code of Corporate Governance (28 February 2018)</li> <li>Panellist Asean-EU Business Summit (2 March 2018)</li> <li>Cyber Risk Management for Industry 4.0 (19 March 2018)</li> <li>Beyond Compliance: Achieving Cyber Resiliency (27 March 2018)</li> <li>Briefing by Dr Mark Zandi on Global Economic &amp; Markets Outlook (29 March 2018)</li> <li>EUMCCI Business sustainability forum (5 April 2018)</li> <li>Panel moderator for the AMCHAM APCAC Business Summit (5 April 2018)</li> <li>Panellist in the Singapore’s ASEAN Chairmanship 2018: Towards Resilience Conference (28 May 2018)</li> <li>Panellist in the Forum on Globalisation and Industrialisation: Global Value Chains as Drivers of Structural Change, UNIDO Vienna (18 June 2018)</li> <li>Keynote speaker at China-ASEAN Think Tanks Seminar: How to Reach Agreement on RCEP (22 June 2018)</li> <li>Financial Institutions Directors’ Education (FIDE) module A (9-12 July 2018)</li> <li>FIDE module B (16-19 July 2018)</li> <li>Panellist on Business Foresight Forum, Securities Industry Development Corp (SIDC) (8 August 2018)</li> <li>Panellist on 1<sup>st</sup> Hongqiao Forum, Shanghai (5 November 2018)</li> </ul>
<b>Thierry Legrand</b>	<ul style="list-style-type: none"> <li>New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)</li> </ul>
<b>Michael Lim Yoke Tuan</b>	<ul style="list-style-type: none"> <li>New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)</li> </ul>
<b>Daniel Bach</b>	<ul style="list-style-type: none"> <li>New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)</li> </ul>
<b>Jean Desazars de Montgailhard</b>	<ul style="list-style-type: none"> <li>New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)</li> </ul>

## Code of Business Conduct and Ethics

Specific principles and procedures in the manner the Company conducts its business are clearly spelt out in the LafargeHolcim Group Code of Business Conduct. This Code promotes:

- integrity in the workplace with focus on health & safety, diversity, fairness and respect, protection of Company assets and information systems, email and social media
- integrity in business practices with focus on anti-bribery and anti-corruption, gifts and hospitality, fair competition, accurate recording and reporting, conflicts of interest, insider trading, conducting international business and preventing money laundering
- integrity in the community with focus on environment, human rights and community engagement

The Company has also adopted LafargeHolcim’s Anti-Bribery and Corruption Directive and the LafargeHolcim Third Party Due Diligence Directive in relation to Third Parties who interact on the Company’s behalf with Public Officials. The Code and all these Directives are published on the Company’s corporate website ([www.lafarge.com.my](http://www.lafarge.com.my)).



# Corporate Governance Overview Statement

## Whistleblowing Policy & Integrity Line

The Company has adopted LafargeHolcim's Integrity Line which is a global business ethics advice and reporting system accessible to all LafargeHolcim's employees and external parties to report on any misconduct in the business activities and this policy affords the whistle-blowers proper protection for reporting any misconduct.

## REMUNERATION & NOMINATION COMMITTEE

The Company has a Remuneration & Nomination Committee for more than 16 years. The Terms of Reference of the Committee is published on the Company's website. The Committee's terms of reference, composition and activities for FY2018 are set out below.

## Composition of the Remuneration & Nomination Committee

The Remuneration & Nomination Committee establishes for itself the procedure and frequency of its meetings, but shall meet at least once annually. The quorum for the meeting shall consist of any two Independent Non-Executive Directors appointed to the Committee. The Executive Directors and members of Management may also be invited to attend meetings of the Remuneration & Nomination Committee as the Committee deems fit.

The Remuneration & Nomination Committee for the year ended 31 December 2018 comprised 2 Independent Non-Executive Directors and 1 Non-Independent Non-Executive Director. Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar is the Chairman of the Committee.

In 2018, the Committee met five (5) times and the attendance of each member is set out below:

	Attendance	%
<b>Current Members</b>		
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar ( <i>Chairman, Independent Non-Executive Director</i> )	5/5	100
Datuk Muhamad Noor Bin Hamid ( <i>Member, Independent Non-Executive Director</i> )	5/5	100
Martin Kriegner <sup>(1)</sup> ( <i>Vice Chairman, Non-Independent Non-Executive Director</i> )	2/2	100

	Attendance	%
<b>Former Members</b>		
Tan Sri Rebecca Fatima Sta Maria <sup>(2)</sup> ( <i>Independent Non-Executive Director</i> )	3/5	60
Ar. Datuk Tan Pei Ing <sup>(3)</sup> ( <i>Non-Independent Non-Executive Director</i> )	2/2	100
Daniel Nikolaus Bach <sup>(4)</sup> ( <i>Non-Independent Non-Executive Director</i> )	3/3	100
Jean Desazars de Montgailhard <sup>(5)</sup> ( <i>Non-Independent Non-Executive</i> )	3/3	100
<b>Current Secretaries of the Committee</b>		
Koh Poi San ( <i>Company Secretary</i> )	4/4	100
Serene Lee Huey Fei ( <i>Joint Company Secretary</i> )	2/2	100
<b>Former Secretary of the Committee</b>		
Katina Nurani Abd Rahim ( <i>Company Secretary</i> )	1/1	100

### Notes:

- <sup>(1)</sup> Appointed as Member of the R&N Committee with effect on 20 April 2018;  
<sup>(2)</sup> Resigned as Member of the R&N Committee with effect on 31 December 2018;  
<sup>(3)</sup> Resigned as Member of the R&N Committee with effect on 31 December 2018;  
<sup>(4)</sup> Resigned as Member of the R&N Committee with effect on 20 April 2018; and  
<sup>(5)</sup> Resigned as Member of the R&N Committee with effect on 20 April 2018.

---

# Corporate Governance Overview Statement

## Terms of Reference of the Remuneration & Nomination Committee

- (a) To recommend to the Board, candidates for all directorships to be filled. In making such recommendation, the Remuneration & Nomination Committee will:
  - i. Consult with the CEO on the nomination of Non-Executive Directors for final approval by the Board. The appointment of Non-Executive Directors shall be for a term limited to the time when the Director concerned is obliged under the Company's Constitution to stand for re-election by rotation.
  - ii. Consider the CEO's nomination of senior managers as Executive Directors of the Board.
- (b) To recommend to the Board, Non-Executive Directors (majority of whom must be independent) to fill the vacant seats of the Committees.
- (c) To review and identify the required mix of skills and experience and other qualities, including core competencies that Non-Executive Directors should bring to the Board.
- (d) To assess the effectiveness of the Board (as a whole), the various committees of the Board and assess the contribution of each individual Director in relation to that Director's ability to contribute to the effective decision making of the Board.
- (e) To recommend to the Board the terms of service of all Executive Directors of the Company. For the avoidance of doubt, such terms of service shall include base salary, performance related elements and benefits in kind.
- (f) To recommend to the Board the compensation and remuneration package of Executive Directors/Senior Management. The remuneration of Non-Executive Directors shall be a matter for the Board to consider.
- (g) To consult annually with the CEO regarding his succession plans in relation to Executive Directors.

During the financial year under review, the Remuneration and Nomination Committee in its meetings carried out the following activities in discharging its functions and duties:

- (a) Reviewed the Annual Evaluation of the Effectiveness of the Board, as a whole, the Board Committees and each Individual Director;
  - (b) Reviewed the Corporate Governance Report for inclusion in the 2017 Annual Report;
  - (c) Reviewed and recommended to the Board on retention of Independent Director;
  - (d) Reviewed the appointment of Chief Executive Positions;
  - (e) Reviewed and assessed the size, required mixed of skills, experience, diversity and other qualities of the Board of Directors;
  - (f) Reviewed and recommended to the Board the appointment of member to the Board of Directors;
  - (g) Reviewed and recommended to the Board on matters regarding remuneration for Executive Directors.
-

---

# Corporate Governance Overview Statement

## **PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT**

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

#### **Composition of the Audit and Risk Management Committee**

In line with Paragraph 15.09 of the Listing Requirements, the Audit and Risk Management Committee consists of a majority of independent directors. Over the course of FY2018, the Committee comprises of 3 members (2 independent directors and 1 non-independent director).

The Board considers the composition of the Audit and Risk Management Committee as fairly reflecting the investment of minority shareholders. The proportion of the independent directors ensures effective check and balance on the Board with the independent directors acting as caretakers for the minority shareholders.

The Audit and Risk Management Committee comprises members who are financially literate from a diverse range of background and skill sets. The Chairperson, Y.M. Tunku Afwida Binti Tunku A. Malek is a member of The Malaysian Institute of Accountants and a Chartered Accountant from The Institute of Accountants in England and Wales. She has extensive experience in the provision of advisory services in corporate finance including compliance related and funding advisory related services, and has held positions in several financial organisations in Malaysia. While the Committee members, Datuk Muhamad Noor Bin Hamid has more than 30 years of working experience in the oil and gas industry ranging from project planning and implementation, operation, consulting and contracting.

Daniel Nikolaus Bach (resigned w.e.f. 20 April 2018) joined Holcim Ltd in 1994 and has been a member of the senior management team of Holcim Ltd since 1 January 2014. He has held various positions in the South East Asia Region including the positions of Technical Director for Holcim Indonesia and Senior VP Manufacturing of Holcim Philippines. His last posting was as the LafargeHolcim Area Manager for South East Asia. Ar. Datuk Tan Pei Ing (appointed w.e.f. 20 April 2018)

has over 30 years of working experience as a professional architect. She has her own architect firm by the name and style of “P.I. Architect”. She has carried out and completed a wide range of projects which includes construction designing of industrial buildings and hotels.

Apart from the continuous trainings attended by each Director, the Audit and Risk Management Committee receives periodic updates from the Company’s external auditors, in particular, on new Accounting Standards.

#### **Responsibilities of the Audit and Risk Management Committee**

The Terms of Reference of the Audit and Risk Management Committee establishes the power, duties and responsibilities of the Audit and Risk Management Committee which is assessable on the Company’s website at [www.lafarge.com.my](http://www.lafarge.com.my). The Terms of Reference is reviewed on a regular basis to ensure alignment with the new requirements and regulations.

The Audit and Risk Management Committee also annually assesses independence, suitability, objectivity and cost effectiveness of the external auditors. The procedure is set out in the Report of the Audit and Risk Management Committee contained in this Annual Report.

#### **Internal Audit**

The Company has an in-house internal audit and internal control department which reports directly to the Audit and Risk Management Committee and assists the Committee in the discharge of its duties and responsibilities. Its role is to provide independent assurance of the adequacy and the effectiveness of the risk management, internal control and internal audit process as well as conduct investigations into complaints lodged through the Integrity Line and other complaint streams. The investigation findings and audit recommendations and measures are reported by the Head of Internal Audit to the Audit and Risk Management Committee at each meeting.

---

---

# Corporate Governance Overview Statement

## **PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

### **COMMUNICATION, INTERACTION AND RELATIONSHIP WITH STAKEHOLDERS**

The Company holds quarterly results briefings to analyst after the announcement of relevant quarterly results to Bursa Malaysia and actively responds to requests for discussions with institutional shareholders and analysts.

The Executive Director and the Management participates in visits to project sites, small group meetings, luncheons, roadshows and investor conferences.

The Company's corporate website ([www.lafarge.com.my](http://www.lafarge.com.my)) contains the corporate profile, corporate structure, Board of Directors profiles, awards and achievements, press releases, corporate news, financial results, Bursa Securities announcements, share and dividend information as well as an overview of the Company's performance and operations.

A comprehensive report on the Company's operations and financial performance is contained in the Annual Report. The Annual Report is printed in summary form together with a digital version of the Annual Report in CD-ROM format. A downloadable online version of the Annual Report is also available on the Company's website.

The Board also takes reasonable steps to encourage shareholder participation at general meetings. Shareholders are encouraged to participate in the Question and Answer session and shareholders who are unable to attend are allowed to appoint proxies in accordance with the Company's Constitution to attend and vote on their behalf.

### **Annual General Meeting**

The Company's Notice of AGM is typically published in newspapers and issued to shareholders at least 28 days prior to the date of the AGM. The Board is committed to attending the AGM. It is highly unusual and only due to unforeseen circumstances that a director is unable to attend the AGM.

The Chairman ensures that the Chairman of the Audit and Risk Management Committee and the Chairman of the Remuneration and Nomination Committee provide meaningful responses to questions from shareholders which are addressed to them.

Voting for the resolutions laid for the coming AGM shall continue to be by electronic voting platform and this platform was adopted at the AGM held since year 2017. Shareholders are also able to participate in the AGM without being present at the meeting by way of proxy voting. The Company's meetings are always held in reputable hotels and convention centres in the Klang Valley and are not held in remote locations.

### **Additional Compliance Statements**

#### **(a) Share Buyback**

The Company did not undertake any share buyback during FY2018. As at the date of this Statement, there are no ordinary shares held in treasury.

#### **(b) Audit Fees**

##### **(i) Audit Fees for the Company:**

The Company's internal audit function is performed in-house by a team of internal auditors led by the Head of Internal Audit and Internal Control. The total cost incurred by the Internal Audit and Internal Control department in relation to the conduct of its functions for FY2018 was RM1.3 million.

The amount of audit fees paid to external auditors by the Company and its subsidiaries for the FY2018 is RM860,918.00.

##### **(ii) Non-Audit Fees:**

The amount of non-audit fees paid to external auditors by the Company and its subsidiaries for the FY2018 is RM9,000. The non-audit fees paid is in respect of a review of interim financial information, agreed upon procedures, review of statement of internal control and tax service fees.

#### **(c) Material Contracts Involving Substantial Shareholders**

Save and except for the recurrent related party transactions entered into pursuant to the shareholders' mandate, there were no material contracts either still subsisting at or entered into by the Company and/or its subsidiaries which involved Directors' and/or substantial shareholders' interest.

This CG Overview Statement is made in accordance with the resolution of the Board of Directors dated 27 February 2019.

---