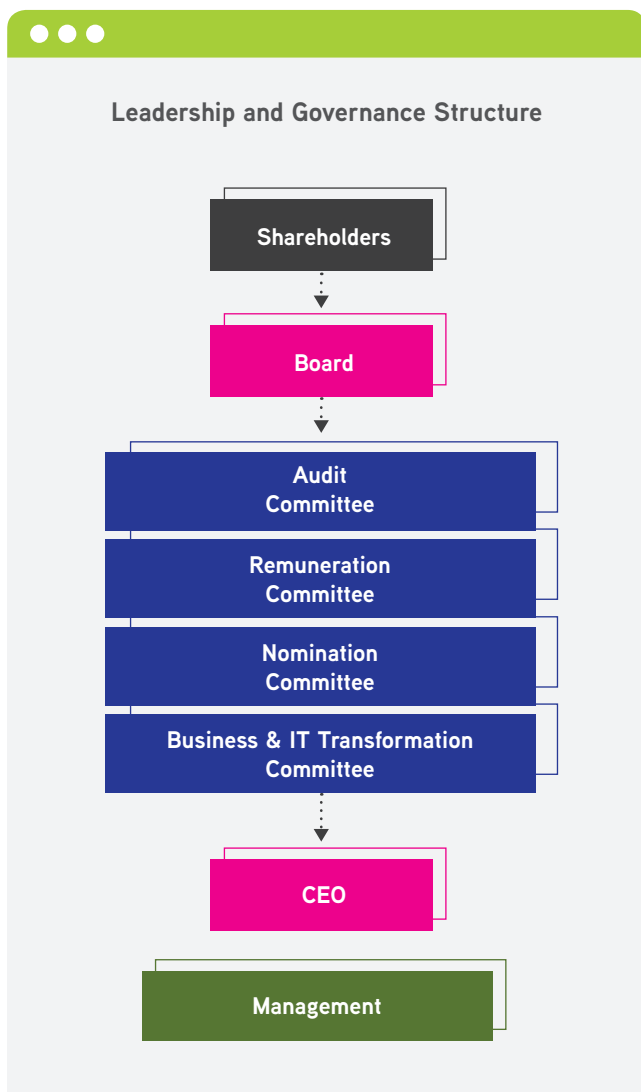


Corporate Governance Overview

The Board is pleased to provide an overview of the Company's corporate governance practices, which summarises the Company's application of the Principles and Recommendations of MCCG 2017 during the financial year ended 31 December 2018.

Details of the Company's application and departures, including alternative practices of the Principles and Recommendations of MCCG 2017 are provided in the Corporate Governance Report 2018, which can be found at www.maxis.com.my/corp. The departures are in Practices 4.1 (that the Board comprises majority independent directors), 4.5 (the Board has at least 30% women directors), 7.2 (disclosure of remuneration of senior management in bands of RM50,000) and 12.3 (leveraging technology for remote voting). Both this Overview and the Corporate Governance Report 2018 were approved by the Board on 15 February 2019.



Note:

The Board has adopted the highest standard of corporate governance by setting the tone at the top.

A. BOARD LEADERSHIP AND EFFECTIVENESS

Board Composition

The Maxis Board comprises nine Directors, of whom four are Independent Non-Executive Directors; four are Non-Executive Directors and one is an Executive Director. The Chairman is an Independent Non-Executive Director. The Directors present a diverse mix of qualifications covering accounting, finance, engineering, human resources and law whilst their collective skills and expertise include general management, international venture capital, technology/digital/media, finance and treasury, marketing, telecommunications, human resources/people and regulatory/local affairs.

The Board is of the view that its composition and size are adequate for the effective discharge of its functions and responsibilities. With its diversity of qualifications and skills, and the governance structure of the Committees and Board, the Board has been able to provide clear and effective collective leadership to the Group and has delivered informed and independent judgment of the Group's strategy and performance to ensure the highest standards of conduct and integrity are always at the core of the Group's undertakings. None of the Non-Executive Directors participate in the day-to-day management of the Group.

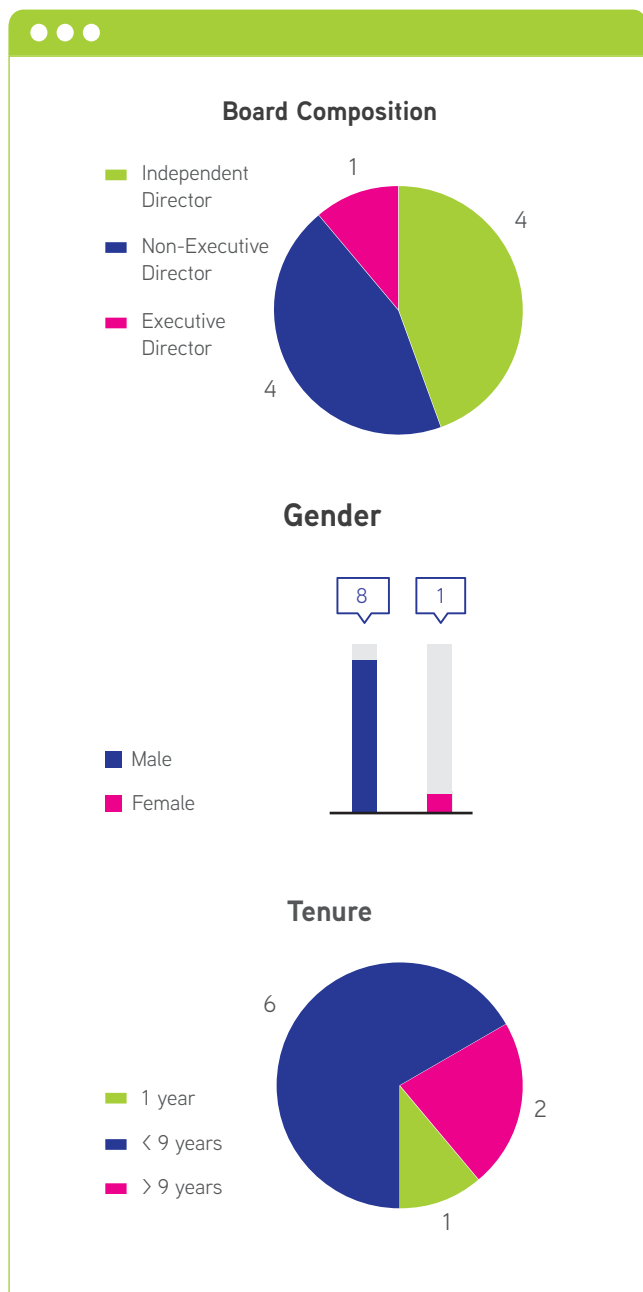
The Audit, Nomination and Remuneration Committees comprise a majority of Independent Directors. The presence of Independent Non-Executive Directors on the Board and its Committees is essential to providing unbiased and impartial opinion, advice and judgment to Board deliberations. This ensures the interests not only of the Group, but also of shareholders, employees, customers, suppliers and other communities with which the Group conducts its business are well-represented and taken into account.

Assessment of the independence of each Independent Non-Executive Director was undertaken twice in 2018 according to the criteria as prescribed by MMLR. As recommended by MCCG 2017, the tenure of directorship of not more than nine years was taken into consideration, and the specific tenures of Directors were duly reviewed by the Nomination Committee (NC) and Board. The relevant processes and procedures have been provided for in the Board Charter and Terms of Reference of the NC.

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda (RA) and Tan Sri Mokhzani bin Mahathir (MM) exceeded the cumulative tenure of nine years after 16 October 2018. Following a review by the NC and Board, save for RA and MM, the two Directors have been considered suitable to continue to act as Independent Directors. Shareholders at the Ninth AGM held on 19 April 2018 approved the resolutions for RA and MM to continue as Independent Directors up to 17 October 2019. The NC and Board have further reviewed the suitability of RA and MM to continue

Corporate Governance Overview

for another term of independence from 18 October 2019 to 17 October 2020 respectively. The shareholders are requested to review the justifications as found on page 78 of the Annual Report 2018 and in the Notice of Tenth AGM on pages 233 to 237.



Roles and Responsibilities of Directors

- The Directors are responsible for the management of the Company, with powers as defined in the Constitution, the Companies Act 2016 and applicable regulations.
- Directors are aware of their duties, responsibilities and time commitment as members of the Board.

- The Board Charter sets out clearly the roles and responsibilities of the Board, the Chairman, Chief Executive Officer (CEO), Senior Independent Director and Secretary.
- Limits of Authority with clear delegation of authority to the CEO and Management are specified in Maxis' Manual of Limits of Authority (LOA) and the Board Charter.
- Directors regularly attend talks, briefings and utilise online learning tools and reading materials to keep apprised of operational, legal, regulatory and industry matters, and, to assist in the discharge of their functions.

In 2018, the Maxis Board reviewed, deliberated and approved (where specifically required) the following: Maxis' detailed business and operations, customer service and consumer insights, financial results, cashflow, funding requirements, proposed dividends, investor relations briefings, Network and Information Technology systems and security, People and Organisation that included appointment of key management positions (CEO, CFO and COO), updates on personnel movement, key performance indicators, employee engagement, succession, talent and retention planning, risk management and internal controls, budget and Annual Operating Plan for 2019, corporate sustainability, new Constitution of the Company, related party transactions, strategic and emerging issues, appointment of new Director and specific corporate and operational matters that required its approval.

Roles and Responsibilities of the Chairman and CEO

The roles of the Chairman and CEO are clearly separated and the Chairman was not previously a CEO of the Company. The Board Charter specifies the duties of the Chairman and the CEO. The CEO's Key Performance Indicators are reviewed and tracked by the Remuneration Committee.

Company Secretary

The Board is supported by the Company Secretary who facilitates overall compliance with the MMLR, Companies Act 2016 and applicable laws and regulations. The Company Secretary is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators and is a qualified lawyer, with postgraduate qualifications. She has over 25 years of company secretarial and governance experience.

Meetings and Access to Information

Seven Board meetings were held during the financial year, and the details of the Directors' attendance can be found in their respective Directors' profiles on pages 5 to 9.

Directors were given due notice of proposed meetings held during the financial year. Board meeting materials were shared and uploaded electronically for Board members

Corporate Governance Overview

prior to such meetings. Directors also participated in Board meetings and Committee meetings in person or via conference calls. Minutes of the meetings were circulated to all members of the Board. Board members are encouraged to ask clarifications, questions or additional information prior to or during the meetings to facilitate effective decision making.

Additionally, throughout the year, the Board was furnished with ad-hoc reports/updates to keep apprised of key business, financial, operational, emerging issues, corporate, legal, regulatory and industry matters, as and when the need arose. The Board's engagement with Management fosters a healthy, transparent, dynamic and aligned corporate culture. Members of Management gave their full support to the Board.

Board Committees

The Board is supported by four Board Committees, namely the Audit, Nomination, Remuneration and Business and IT Transformation Committees. These Committees play a significant role in reviewing matters within their respective Terms of Reference, and facilitate the Board's discharge of its duties and responsibilities. Each of the Committee has specific Terms of Reference, scope and authorities to review matters tabled before the Committee prior to decision-making by the Board as a whole. The Audit, Nomination and Remuneration Committees comprise a majority of Independent Directors and are chaired by Independent Directors. The Business and IT Transformation Committee comprises a majority Non-Independent Directors. In addition, the Board is supported by ad-hoc operational and governance committees with defined scopes formed from time to time to facilitate the Board in the discharge of their duties.

At every Board meeting, the Chairmen of the respective Committees provide detailed summaries of the reports, deliberations and recommendations made at their respective meetings for the Board's further deliberation, and recommend matters that require decisions by the Board. Minutes of the Committee meetings are made available to all members of the Board.

Appointments to the Board

The NC makes independent recommendations for selection and appointments to the Board, based on criteria which they develop, maintain and review based on applicable laws and regulations. The NC may consider the use of external consultants in the identification of potential directors.

In making these recommendations, the NC assesses the suitability of candidates, taking into account the Board's required mix of skills, diversity, knowledge, industry exposure, expertise and experience, professionalism, integrity, competencies, time commitment and other relevant qualities of the candidates, before recommending their appointments to the Board for approval.

Board Diversity Policy

The Board recognises the importance of diversity in its composition to ensure effectiveness and good corporate governance. The NC and Board regularly review the composition of the Board to ensure the proper discharge of its functions and obligations. All Directors are appointed on a robust process, based on merit and in line with the standards as set out in Para 2.20A of the MMLR. The background of each Director can be found on pages 5 to 9, demonstrating the Board's diversity policy.

Board Evaluation and Effectiveness Assessment

In 2018, the Chairman of the NC oversaw the overall evaluation process while the responses were reviewed and analysed by the NC, before the assessment was tabled and communicated to the Board. In addition, the individual Directors also conducted self-assessments, the results of which were also shared with the Board. The Board agreed on action points moving forward including specific training needs.

Re-election of Directors and Tenure of Independent Directors

The NC and Board also reviewed the suitability of the following Directors due for re-election at the Tenth AGM:

- (i) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
- (ii) Tan Sri Mokhzani bin Mahathir
- (iii) Mazen Ahmed M. AlJubeir
- (iv) Abdulaziz Abdullah M. Alghamdi

Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda (RA) and Tan Sri Mokhzani bin Mahathir (MM) were appointed as Independent Directors on 16 October 2009 and they both have served as Independent Non-Executive Directors for cumulative terms of more than nine years. The shareholders have on 19 April 2018 approved the resolutions for RA and MM to continue to act as Independent Directors from 18 October 2018 to 17 October 2019. In accordance with MCCG 2017, the Board through the Nomination

Corporate Governance Overview

Committee (NC) has undertaken relevant assessments and recommended for the two Directors to continue to serve as Independent Non-Executive Directors based on the following justifications:

- (a) RA and MM have each fulfilled the criteria under the definition of Independent Director as stated in the MMLR.
- (b) RA and MM have demonstrated their independence when providing their contribution as members of the Board in considering Board-related matters and in discharging their responsibilities as Directors.
- (c) The length that they have remained in office does not interfere with their respective abilities to exercise independent judgment as Independent Directors.
- (d) RA and MM, together with the other Independent Directors, each function as a check and balance to the Board and exercise objectivity as Directors.
- (e) RA and MM each has vast experience, knowledge and skills in a diverse range of businesses and therefore provides constructive opinion, counsel, oversight and guidance as Directors.
- (f) Each of RA and MM has devoted sufficient time and attention to his professional obligations to Maxis for informed and balanced decision making.

The NC and the Board are satisfied that each of RA and MM is able to exercise independent judgment and has the ability to act in the best interests of the Company. Each of RA and MM has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director and has contributed in the following roles: RA as Chairman of the Board and NC, member of the Remuneration Committee (RC) and the Audit Committee (AC) while MM as Chairman of the AC and a member of the NC and RC. MM has also been appointed as the Senior Independent Director of the Board.

Each of the interested Directors above abstained in the deliberations at the NC and/or Board Meetings relating to their respective appointments.

Training and Development of Directors

The Board has taken steps to ensure that its members have ongoing access to appropriate continuing education programmes. Training includes talks, online tools, reading materials, briefings and seminars by subject matter experts. The NC and the Board assess the training needs of each Director on an ongoing basis, by determining areas that would best strengthen his/her contributions to the Board.

Amongst others, training programmes included:

- (i) Orientation and familiarisation programmes for new appointments. During the year, Abdulaziz Abdullah M. Alghamdi was appointed as a Director. He completed the Mandatory Accreditation Course as prescribed by the MMLR on 30 November 2018, which was within four months from the date of his appointment. He also attended a detailed orientation and familiarisation programme at Maxis that included briefings on all areas of operations and visits to the operation centres.
- (ii) Regular briefings/updates (some by external advisors) on various matters including governance and those relating to the industry. This included a talk by Vodafone on partnership and digitalisation, and a two-day offsite meeting in Penang, that included market visits, and engagements with dealers, employees and corporate customers from the Northern region.
- (iii) During the year, the Audit Committee was briefed on an external Quality Assurance Review conducted by an external expert from the Institute of Internal Auditors Malaysia and on Enterprise Risk Management by an independent consulting firm.

In addition, online learning tools are made available to all Directors, and the external auditors share relevant publications with all the Directors. Members of Management regularly update the Board on operational, technology, financial and regulatory developments.

Remuneration of Directors and Maxis Management Team

Formal and transparent remuneration policies and procedures have been put in place to attract and retain Directors of the calibre needed to run the Group successfully and create value for shareholders. In Maxis, the remuneration for Executive Directors is structured so as to link rewards to corporate and individual performance. The Remuneration Committee oversees the structure for the remuneration of the Directors and Maxis Management Team. In the case of Non-Executive Directors, the level of remuneration reflects the experience, expertise and level of responsibilities undertaken.

Remuneration of our Non-Executive Directors is subject to annual approval by shareholders. Directors' remuneration packages comprise fees, basic salaries and bonuses (for Executive Directors), benefits-in-kind and other benefits.

The aggregate emoluments received by the Directors of the Company during the financial year ended 31 December 2018 are as stated on the following page:

Corporate Governance Overview

Directors Fees/Salaries and Other Benefits

Name of Director	Received or to be received from the Company		Received or to be received from a subsidiary				Total Amount RM
	Fee RM	Benefits-in-Kind RM	Salaries RM	Bonus and incentives RM	Other Short-Term Benefits RM	Benefits-in-Kind RM	
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	486,632	51,259	-	-	-	-	537,891
Tan Sri Mokhzani bin Mahathir	376,475	-	-	-	-	-	376,475
Robert Alan Nason ⁽¹⁾	89,520	-	Please refer to page 144 of the Annual Report 2018.				89,520
Dato' Hamidah Naziadin	340,020	-	-	-	-	-	340,020
Mohammed Abdullah K. Alharbi	270,012	-	-	-	-	-	270,012
Naser Abdulaziz A. AlRashed ⁽²⁾	149,523	-	-	-	-	-	149,523
Mazen Ahmed M. AlJubeir	290,016	-	-	-	-	-	290,016
Abdulaziz Abdullah M. Alghamdi ⁽³⁾	87,754	-	-	-	-	-	87,754
Lim Ghee Keong	290,016	-	-	-	-	-	290,016
Alvin Michael Hew Thai Kheam	305,154	-	-	-	-	-	305,154
Dr. Kaizad B. Heerjee ⁽⁴⁾	162,588	-	-	-	-	-	162,588
Morten Lundal ⁽⁵⁾			Please refer to page 144 of the Annual Report 2018.				

Notes

Save as disclosed above, no other remuneration has been paid to the Directors by the Company and/or its subsidiaries.

⁽¹⁾ Appointed as CEO/Executive Director on 1 April 2018.

⁽²⁾ Resigned as Director on 20 July 2018.

⁽³⁾ Appointed as Director on 4 September 2018.

⁽⁴⁾ Resigned as Director on 7 August 2018.

⁽⁵⁾ End of contract as CEO and resigned as Director on 31 March 2018.

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee, Risk Management and Internal Control Framework

The roles, responsibilities and activities of the Audit Committee in respect of effective audit and risk management are explained in the Audit Committee Report on pages 84 to 87 of the Annual Report. The Group has the following processes in place for effective audit and risk management.

(i) Accountability and Audit

The Directors endeavour to present a clear, balanced and comprehensive assessment of the Group's financial position, performance and prospects. This also applies to other price-sensitive public reports and reports to regulators.

(ii) Related Party Transaction (RPT)

The Group has in place review and approval processes and procedures for RPT to ensure that the transaction prices, terms and conditions of agreements and the quality of products/services are comparable with those prevailing in the market. This is to ensure that the terms of the transactions are neither favourable to the related party nor detrimental to the Group's minority shareholders. The Group tracks the status of mandated Recurrent RPTs monthly to ensure all transactions are within the limits and plan the compliance processes if required.

Corporate Governance Overview

(iii) Risk Management and Internal Control

The Board affirms its overall responsibility for the Group's System of Risk Management and Internal Control and for reviewing the adequacy and effectiveness of the system. The Audit Committee, supported by Internal Audit Division, provides an independent assessment of the effectiveness of the Maxis Enterprise Risk Management (ERM) framework and reports to the Board yearly. Key elements of the Group's control environment include Organisation Structure, Audit Committee, Internal Audit, Code of Business Practice, Revenue Assurance, Subscriber Fraud Management, Business Continuity Planning, Regulatory, Legal, Company Secretary, Limits of Authority, Policies and Procedures, Financial and Operational Information and Systems and Information Security.

Detailed reports on the Group's Audit and Risk Management can be found on pages 84 to 87 and 88 to 93 of this Annual Report. Both reports were approved by the Board on 15 February 2019.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

Communication with Stakeholders and Conduct of General Meetings

The Board recognises that our shareholders have a legitimate right to know how the Company is doing and endeavours to provide timely disclosure to shareholders, releasing all required/material announcements immediately when matters are triggered.

Other than to issue our Annual Reports and release our financial results, Maxis has been promoting proactive engagement and communication with our shareholders and other stakeholders through press releases, an online Investor Relations section and online News Room which can be accessed at www.maxis.com.my. Please also refer to the Key Stakeholder Engagement section on page 50 of this Annual Report. Maxis has provided the relevant contact details for queries and/or concerns regarding the Group under the Corporate Information Section.

Our Commitment to Communicating with Our Shareholders

Maxis is committed to maintaining high standards of corporate disclosure and transparency. Our disclosure policy is based on the following three key principles:

- (i) Maintain open and regular communication with all shareholders;
- (ii) Disseminate financial and strategic updates in a timely and transparent manner; and
- (iii) Ensure equal treatment and protection of shareholders' interests.

Maxis has embarked on a three-year integrated reporting journey to provide more comprehensive and transparent disclosure of our objectives, strategies and performance.

Sustainability Management

Maxis is committed to ensuring that our strategic plans support long-term value creation and incorporates the key principles of EES in underpinning sustainability. Our sustainability strategy is currently led and driven by the CEO, with progress and key developments escalated to the Board. The CEO, together with the management team meets with key divisions and project teams on a weekly and monthly basis to ensure oversight of execution of strategies, initiatives and achievement of targets. The CEO and Management team have also validated the material matters as detailed on page 49.

To further institutionalise sustainability within our business processes and operations, we are in the process of formalising a Sustainability Steering Committee. This committee will comprise members of key business units and will also look towards integrating sustainability within the business operations

AGM

The Board has taken reasonable steps to encourage shareholder participation at general meetings.

- (i) Shareholders are encouraged to participate in the Question and Answer sessions.
- (ii) Written answers will be provided to any significant questions that cannot be readily answered during the AGM.
- (iii) Shareholders are welcome to raise queries by contacting Maxis at any time.
- (iv) Maxis issues a 28-day notice of our AGM, which exceeds the prescribed notice period.
- (v) Queries from shareholders pertaining to the Annual Report and other matters related to the AGM may be directed to this email: bsr.helpdesk@boardroomlimited.com.

Corporate Governance Overview

Whistle-Blowing

In light of the requirements stipulated under the Capital Markets and Services Act 2007, Bursa Malaysia's Corporate Governance Guide and the Companies Act 2016, the Board recognises the importance of whistle-blowing and is committed to maintaining the highest standards of ethical conduct within the Group. We uphold a strong ethical business culture as it is key to ensuring long-term value creation. A secure reporting mechanism for employees and third parties, called the Ethics Hotline, has been established to report any alleged unethical behaviour, actual or suspected fraud within the Group. Dedicated channels for reporting have been set up. These channels, under the custody of the Internal Audit Department, are:

- (i) Ethics Hotline @ 03-2330 6678 or 017-200 3922
- (ii) Email: ethics@maxis.com.my
- (iii) Letters/documents addressed to the Ethics Hotline Office c/o Internal Audit Department, Level 21, Menara Maxis, Kuala Lumpur City Centre
- (iv) Senior Independent Director: mmokhza@maxis.com.my

For further details, please refer to the Corporate Governance Report 2018, and the Material Matters section page 49.

What's Next

To support Maxis' transformation, growth and digital ambitions, the Board's processes, proceedings and governance structure are constantly assessed and benchmarked to remain competitive, refreshed, agile with a continued focus on strategy, governance and compliance. The Board is fully committed to compliance with regulatory requirements under MCCG 2017, and the applicable rules and regulations. Key focus areas in 2019 are the appointment of the CEO, maintenance and enhancement of Board dynamics, and a review of the additional independent and women directors. As an ongoing effort for the next few financial years, the Board will benchmark itself against other comparable international digital and technology companies.

The following Items can be downloaded from Maxis' corporate website at www.maxis.com.my/corp :

- (1) Board Charter
- (2) Terms of Reference of the Audit, Nomination and Remuneration Committees
- (3) Code of Business Practice
- (4) Constitution
- (5) Annual Report 2018
- (6) Circular to Shareholders for Tenth AGM
- (7) Corporate Governance Report 2018
- (8) Notice of Tenth AGM
- (9) Proxy Form
- (10) Administrative Details for Tenth AGM

Statement of the Nomination Committee

Members:

- (i) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda (Chairman)
- (ii) Tan Sri Mokhzani bin Mahathir
- (iii) Dato' Hamidah Naziadin
- (iv) Mazen Ahmed M. AlJubeir
- (v) Alvin Michael Hew Thai Kheam

Roles and Activities of the NC during the financial year ended 31 December 2018

The NC met six times during the financial year, with full attendance. At its meetings it considered, among others, the selection criteria, suitability and appointments of Robert Nason as CEO and Abdulaziz Abdullah M. Alghamdi as Director respectively, matters arising from the Companies Act 2016, MCCG 2017, Directors' duties, responsibilities, benefits and fees, the Board, Board Committees and individual Director's Assessments, the review and amendments of the Board Charter and Constitution, review of the Board Committees' Terms of Reference, review of the Policy on Non-Executive Directors' Remuneration, Expenses and Reimbursement Policy, compliance with MCCG 2017, Board and Committees compositions and skills, diversity, the independence of Directors, re-election of Directors, terms and performance of the Audit Committee members and tenure of the Independent Directors. The NC reviewed the appropriate mix of experience, strength in qualities and skills of the Board.

The NC also reviewed the processes, methodologies and outcomes of the Annual Board, Board Committee and individual Director's Assessments, as well as feedback and training requirements of the Board.

The NC's recommendations were tabled for the Board's consideration and approval.

Board, Board Committees and Individual Director's Effectiveness

The criteria used in the assessment of the Board's effectiveness were developed, maintained and reviewed by the NC. The objective is to ensure candid and objective evaluations. They included, inter alia, each Director's effectiveness, the Board's and Board Committees' composition and mix of skills, the Board's roles and responsibilities and effectiveness in areas of performance and strategy planning, risk, human capital management, regulatory requirements and Board communication. The NC also reviewed the proposed training areas, conduct of the Board and Board Committees including their procedures and decision-making processes, and general feedback on areas for improvement and strengths.

The Board and Board Committees were also assessed based on their roles and scope, frequency and length of meetings, Management's supply of sufficient and timely information to the Board and the overall effectiveness and efficiency in discharging their functions. In accordance with Para 15.20 of the MMLR, the NC and Board also reviewed the terms of office and performance of the Audit Committee (AC) and each of its members, and was satisfied that the AC and its members had carried out their duties in accordance with the AC's terms of reference. Each Director undertook a self-assessment of his/her performance during the financial year ended 31 December 2018 based on the criteria as prescribed under Para 2.20A of MMLR that include factors such as character, experience, integrity, competence and time committed in order to discharge their respective roles as Directors of Maxis. This criteria is also used prior to the selection and consideration of Directors, the CEO, COO and CFO.

The Committee also considered changes to the form of Directors' self-assessments that incorporated additional questions on capability, skills, industry knowledge, integrity and experiences of individual Directors.

Assessment of Directors standing for re-election at the Tenth AGM

The NC and Board carried out an assessment of all the Independent Directors, including the independence of Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Tan Sri Mokhzani bin Mahathir, pursuant to criteria as prescribed by MMLR and MCCG 2017, and were satisfied that they each meet the criteria for independence. Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda and Tan Sri Mokhzani bin Mahathir were appointed Directors on 16 October 2009, thus exceeded the tenure of nine years on 17 October 2018. Maxis shareholders had on 19 April 2018 approved the two Directors to continue to act as Independent Directors until 17 October 2019.

The NC and the Board considered the assessment of the following four Directors standing for re-election at the AGM and collectively agreed that they meet the criteria regarding their character, experience, integrity, competence and time committed to effectively discharge their respective roles as Directors as prescribed by the MMLR:

- (i) Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda
- (ii) Tan Sri Mokhzani bin Mahathir
- (iii) Mazen Ahmed M. AlJubeir
- (iv) Abdulaziz Abdullah M. Alghamdi

Each of the interested Directors above abstained in the deliberations at the NC and/or Board Meetings relating to their respective re-elections.

This Statement should be read together with Corporate Governance Overview and Corporate Governance Report 2018.

Audit Committee Report

As at 31 December 2018

The Board of Maxis is pleased to present the Audit Committee (AC) Report for the financial year ended 31 December 2018.

THE AUDIT COMMITTEE AT A GLANCE

No. of Members	5, all Non-Executive
No. of Independent Members	Chairman + 2 Others
No. of Meetings	4 in 2018
Attendance Rate	See below

WHO WE ARE

Name	Status	Appointment	Meetings Attended	Full Profile on page
Tan Sri Mokhzani bin Mahathir*	NE, IN	Appointed as Chairman on 02/03/2018 (AC member since 16/10/2009)	4/4	5
Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda	NE, IN	02/03/2018	4/4	5
Dato' Hamidah Naziadin	NE, IN	01/02/2014	4/4	6
Lim Ghee Keong	NE	08/05/2014	4/4	8
Mohammed Abdullah K. Alharbi	NE	13/10/2015	4/4	7
Robert Alan Nason	NE, IN	Ceased as Chairman and member on 02/03/2018 (Appointed as CEO effective from 01/04/2018 and attended the rest of AC meetings in 2018 as a member of Management and invitee)	1/1	9

Notes

1. **NE**-Non Executive, **IN**-Independent, *-Chairman
2. Meetings Attended refers to attendance as AC members

THE AC'S SKILLS AT A GLANCE

- All members are financially literate.
- All members are able to read, analyse, interpret and understand financial statements.
- All members have extensive business experience.
- Each member has skill sets which make the AC effective as a team, lending it the ability to effectively discharge its duties and responsibilities.
- Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda, a Fellow of the Institute of Chartered Accountants in England and Wales, meets the Main Market Listing Requirements of Bursa Securities (MMLR) for Audit Committees to have at least one member of an association of accountants specified in Part II of the First Schedule of the Accountants Act 1967.

SUMMARY OF ACTIVITIES OF THE COMMITTEE

During the financial year, the Committee reviewed and updated its Terms of Reference to be in line with the Statement on Risk Management and Internal Controls. An annual review was also performed to ensure all requirements were complied with.

A total of four Audit Committee meetings were held in 2018. At these meetings, the Committee focused on Maxis' financial

results, announcements to Bursa Securities for Q4 2017 and full-year 2017, Q1 2018, Q2 2018 and Q3 2018, the provisions and judgmental accounting items for the respective financial quarters, reports from both the external and internal auditors, regulatory and legal updates, enterprise risk management matters, related party transactions, revenue assurance, business and continuity planning, capital raising, systems and security information and other internal control matters.

The AC Chairman reported the outcomes and decisions of the AC proceedings in detail to the Board the soonest practicable after each meeting. Members of Management, the Group's external auditors and external legal counsel also attended the meetings as and when invited. In the discharge of its duties and responsibilities, the Committee undertook the following major activities during the year:

Risk Management and Internal Control

- The Committee reviewed the quarterly status reports on Enterprise Risk Management (ERM) activities within the Group presented by the Management, which includes Maxis' overall risk profile, changes and updates to high and key risks, and the corresponding mitigating actions. The Committee also reviewed the risk appetite statement

Audit Committee Report

and risk methodology adopted in ensuring that key and high risks were identified and tracked. An independent party was appointed in September to perform an ERM maturity assessment and gap analysis on the current ERM framework and activities. The results were presented to the Committee at its last quarterly meeting, highlighting various improvement actions for the Committee's consideration.

- Through the Internal Audit's reports on key internal audit findings and the external auditor's reports on work performed presented at the AC meetings, as well as through discussions with key Senior Management, the Committee evaluated the overall adequacy and effectiveness of the system of internal controls including information technology and network controls; the Group's financial, auditing and accounting organisations and personnel; and the Group's policies and compliance procedures with respect to business practices.
- During its meetings and discussions with key senior management, the Committee consistently emphasised the importance of information security and the Group's readiness to prevent and respond to cyber-attacks and online fraud. Cyber security updates were provided to the Committee on a quarterly basis due to the Committee's emphasis on this area and recognition as a material matter to the Group.
- In continuing to promote ethical business practices, the Committee also reviewed the summary of defalcation cases investigated in 2018 and, where relevant, requested Management to carry out the necessary disciplinary actions. These actions reflect the Board's non-tolerance of fraud as well as to further improve the control environment in preventing further recurrences.

Financial Reporting

- In overseeing the Group's financial reporting, the Committee together with appropriate officers of the Group reviewed the quarterly financial results and annual audited financial statements of the Group, including the reports on provisions, significant judgmental accounting matters, impact of new accounting standards and related announcements, before approving the release of the Group's financial results to Bursa Securities. The quarterly financial results for Q1, Q2 and Q3 of 2018, which were prepared in compliance with the Malaysian Financial Reporting Standards (MFRS), were reviewed at the quarterly Committee meetings. During its first quarterly meeting, the Committee reviewed the draft audited financial statements for the financial year ended 31 December 2017 and the quarterly financial results for Q4, 2017.

- In reviewing the integrity of financial information, the Committee deliberated with Management to ensure that all matters set out in Section 5 of the Audit Committee Terms of Reference (Responsibilities" under the heading "Financial Reporting") as well as the following areas, where relevant, had been complied with:
 - I. The MMLR;
 - II. Provisions of the Companies Act 2016 and other legal and regulatory requirements; and
 - III. MFRS issued by the Malaysian Accounting Standards Board.
- On a quarterly basis, Management gave its assurance to the Committee that related party transactions and the mandate for recurrent related party transactions (RRPT) were in compliance with MMLR and the Group's policies and procedures. In addition, Internal Audit presented the results of its quarterly independent reviews of the RRPT confirming that all RRPTs complied with the said policies and procedures.

Overall Governance, Regulatory and Other Updates

- The Management and Company Secretary presented to the Committee, for its review, the status and changes in material litigation, law and regulations, compliance with loan covenants and regulatory updates on the Group's business on a quarterly basis.

Internal Audit

- The Internal Audit function carried out its activities based on the risk-based Annual Audit Plan approved by the Committee. Based on the approved Audit Plan for 2018, a total of 46 engagements were conducted as at year-end covering the following key areas:
 - i. Accounting & Financial Activities (13%)
 - ii. Key Projects Implementation (24%)
 - iii. Network & Information Technology (9%)
 - iv. Regulatory Compliance (20%)
 - v. Sales Operations (13%)
 - vi. Contracts Management (6%)
 - vii. Investigations (15%)
- At the Committee's quarterly meetings, the Head of Internal Audit presented updates of the Internal Audit Annual Audit Plan 2018, including the status of Internal Audit assignments, key findings from audit reports, audit recommendations by the internal auditors, results of investigations performed by the internal auditors and the representations made, as well as corrective actions taken by Management to address and resolve issues, ensuring these were adequately addressed on a timely basis.

Audit Committee Report

- An annual survey for evaluating the effectiveness of the Internal Audit function was carried out in December 2017 and the results reviewed by the Committee at its first quarterly meeting. The assessment covered three key categories of effectiveness, i.e. Positioning (Mandate & Strategy, Organisation & Structure, Stakeholders & Funding), People (Leadership, Competencies, Staffing Strategy, Culture and Reward & Appraisal) and Processes (Risk Assessment & Planning, Execution and Reporting). During the same meeting, the Committee also reviewed the results of internal compliance assessments on activities carried out by the Committee and the Internal Audit in the previous financial year against their respective Terms of Reference.
 - The Committee reviewed the results of an independent Quality Assurance Review (QAR) carried out in June 2018 by an external party to benchmark our Internal Audit's activities against International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors (IIA). The Internal Audit achieved a 'Generally Conform' rating, the highest rating possible for the exercise indicating a satisfactory level of compliance with the Standards. The external party had also performed a benchmarking exercise using the IIA's Capability Maturity Model, in which Maxis IA's maturity was rated as being 'Managed' (level 4 out of 5) when measured against the best audit shops globally.
 - During its last quarterly meeting for the year, the Committee reviewed and approved the Internal Audit Annual Plan, which reflects the changing risk landscape of the organisation and industry. A total of 45 audits have been planned for 2019 focusing on key strategic areas, finance and business operations, technology as well as advisory services. The Committee also reviewed the scope and coverage of the planned activities and ensured principal risk areas (identified by the Enterprise Risk Management department and Internal Audit department) and key processes of the business were adequately addressed.
 - The Committee reviewed and endorsed the adoption by Internal Audit of a continuous auditing implementation approach in 2019 in line with its three-year digitalisation roadmap, which would enable analytics capability in its controls testing and monitoring.
- external auditors and reviewed their compliance with Maxis' External Audit Independence Policy (EAIP) for work carried out in the previous financial year (2017). This was to determine whether the services rendered would impair the external auditors' independence and objectivity.
- The compliance status was presented by Management to the Committee for its deliberation. Internal Audit also presented its independent review of the external auditors' independence to the Committee, confirming the assessment results by Management. The Committee deliberated on the reports and concluded that the auditors complied with the EAIP.
- The Committee reviewed the audit services and non-audit services provided by the external auditors and their corresponding incurred fees, which included tax related services, regulatory compliance reporting, accounting consultation and agreed-upon procedures. The Committee concluded that the auditors had remained independent during the year.
 - At its quarterly meetings, the Committee deliberated on the results and issues arising from the external auditors' review of the half year ended June 2018, Q3 2018 financial results and audit of the year-end financial statements as well as the resolution of issues highlighted in their report to the Committee. The Committee also deliberated on key audit matters highlighted by the auditors, the Internal Control Recommendations (ICRs) raised by them, and monitored their closure status.
 - The Committee reviewed the external auditors' 2018 Audit Plan outlining their strategy, approach and proposed fees for the current financial year's statutory audit. The proposed Audit Plan and fees reviewed include non-recurring assurance related work for the financial year. The Committee noted the proposed plan and approved it for the current financial year.
 - The Committee reviewed the annual assessment conducted on the effectiveness of the external auditors. The assessment covered seven categories, namely the audit firm's calibre, quality process, audit team, scope, communication, governance, independence, and audit fees.

External Audit

- During its first quarterly meeting, the Committee reviewed the external auditor's report for the financial year ended 31 December 2017 and recommended for the Board's approval.
- At the same meeting, the Committee undertook an annual assessment of the suitability and independence of the

Long-Term Incentive Plan (LTIP)

- The internal audit on the LTIP grants for the financial year was performed in December 2018. In ensuring that the allocation for employees was as per approved criteria, disclosed pursuant to LTIP, the Committee will deliberate the review results presented by Internal Audit during its first meeting in 2019.

Audit Committee Report

Others

- The Committee conducted a self-assessment to evaluate its overall effectiveness in discharging its responsibilities. The assessment was rated by the Committee members, Senior Management as well as the external and internal auditors for a well-rounded view of the Committee's effectiveness. The results were deliberated in the last quarterly meeting in 2018.

PROCEEDINGS OF THE AC MEETINGS

The Group's internal and external auditors and certain members of Senior Management attended the Committee meetings by invitation.

The Committee also held a total of six separate private sessions with the internal and external auditors without the presence of Management. Both the internal and external auditors have unfettered access to members of the Audit Committee, including the Chairman, any time during the year.

Deliberations during the Committee meetings were minuted. The Chairman of the Committee reported the proceedings of the Committee to the Board after every Committee meeting. Minutes of the meetings were circulated to all members of the Board and significant issues were brought up and discussed at Board meetings.

TRAINING

Training attended by the Committee members during the financial year is reported under the Corporate Governance Overview on page 79.

INTERNAL AUDIT FUNCTION

The Group has an in-house independent Internal Audit function which reports directly to the Committee. Its primary responsibility is to provide independent and objective assessment of the adequacy and effectiveness of the risk management, internal control and governance processes established by Management and/or the Board within the Group.

The Internal Audit Division comprises 18 auditors and is headed by Shafik Azlee Mashar, who has extensive experience in managing internal audit functions within telecommunications, fast moving consumer goods (FMCG) and banking organisations. Shafik holds a Bachelor's degree in Information Systems Engineering from Imperial College of Science Technology & Medicine, London and is a Certified Information Systems Auditor (CISA).

The Head of the Internal Audit Division reports directly to the Chairman of the Committee, and is responsible for enhancing the quality assurance and improvement programme of the internal audit function. Its effectiveness is monitored through continuous internal and external quality assessments and the results are communicated to the Committee.

The total costs incurred for the internal audit function for the financial year ended 31 December 2018 amounted to RM6.1 million (2017: RM5.5 million).

The internal audit function fully abides by the provisions of its charter. The internal audit charter is reviewed and approved by the Committee annually. The internal audit function's activities conform to the International Standards for the Professional Practices of Internal Auditing set forth by the IIA.

The Audit Committee has regular dialogues and sessions with the Head of Internal Audit and team.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board affirms its overall responsibility for the Group's system of internal control and risk management and for reviewing the adequacy and effectiveness of the system. The Board is pleased to share the main features of the Group's risk management and internal control system in respect of the financial year ended 31 December 2018.

In discharging its stewardship responsibilities, the Group has established a sound risk management framework and procedures of internal control. These procedures, which are embedded into the culture, processes and structures of the Group, are subject to regular review by the Board, and provide an ongoing process for identifying, evaluating and managing significant risks that may affect the Group's achievement of its business objectives and strategies. The Group's risk management framework and internal control procedures, in all material aspects, are consistent with guidance provided to Directors as set out in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board of Maxis, in discharging its responsibilities, is fully committed to articulating, implementing and reviewing a sound risk management and internal control environment. The Board is responsible for determining the Group's risk appetite and risk tolerance level within which the Board expects Management to operate, and has approved the following risk appetite statements:

- The Group is committed to delivering value to our shareholders through sustaining profitable growth, maintaining market leadership and meeting our dividend payout policy. At the same time, the Group will not compromise our integrity, values or reputation by risking brand damage, service delivery standards or regulatory non-compliance.
- The Group is prepared to take measured risks to achieve our ambition to be a leading converged communications and digital services organisation.

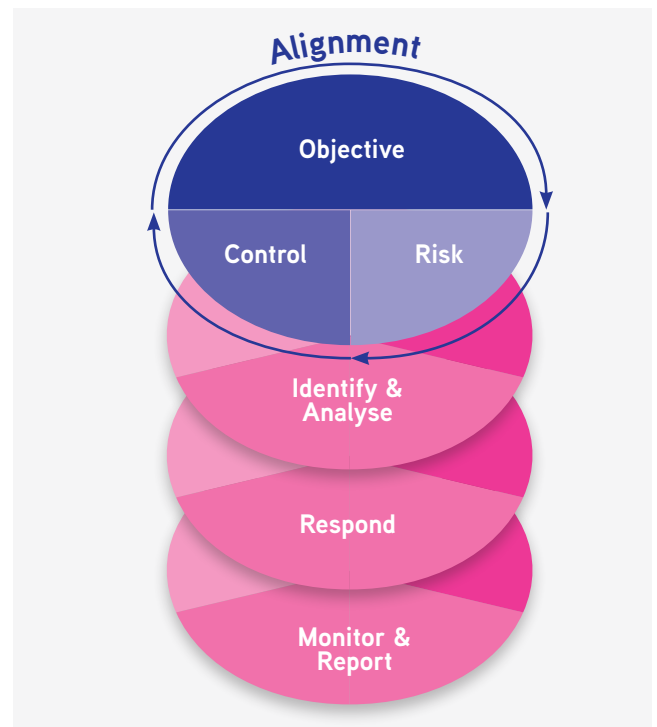
The Management has primary responsibility for identifying, assessing, monitoring and reporting key business risks to the Board in order to safeguard shareholders' investments and the Group's assets. Risk management and internal control systems are designed to identify, assess and manage risks that may impede the achievement of the Group's business objectives and strategies rather than to eliminate these risks entirely. They can only provide reasonable and not absolute assurance against fraud, material misstatement or loss, and this is achieved through a combination of preventive, detective and corrective measures.

RISK MANAGEMENT

The Board regards risk management as an integral part of the Group's business operations and has oversight over this critical area through the Audit Committee. The Audit Committee, supported by the Internal Audit department, provides an independent assessment of the effectiveness of the Maxis Enterprise Risk Management (ERM) framework and reports to the Board on a yearly basis.

The Maxis ERM framework is broadly based on the ERM framework of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The Maxis ERM framework involves systematically identifying, analysing, measuring, monitoring and reporting on risks that may affect the achievement of its business objectives. In addition, close monitoring and control processes, including the use of appropriate key risk and key performance indicators, are implemented to ensure the risk profiles are managed within policy limits. This framework helps to reduce uncertainties surrounding the Group's internal and external environment, allowing Maxis to maximise opportunities and minimise adverse incidences that may arise. For major risks which the Group is exposed to, refer to Business Model section on pages 40 to 41.

MAXIS' ENTERPRISE RISK MANAGEMENT FRAMEWORK



Statement on Risk Management and Internal Control

There is an ERM team that administers the ERM process to ensure risks that may affect the achievement of Maxis' business objectives are identified, evaluated and managed. A structured process has been established where ERM discussions are held on a regular basis between units within departments/sections to identify potential risks that might deter the department/section from achieving its business objectives. The ERM team participates in such discussions on a quarterly basis. Identified risks are then reported, reviewed and discussed with the Maxis Management Team (MMT) and Audit Committee on a quarterly basis to ensure key risks are identified, analysed and monitored while mitigating actions are coordinated and implemented in a timely manner.

All identified risks are displayed on a five-by-five risk matrix based on their risk ranking to assist Management to prioritise their efforts and appropriately manage the different classes of risks.

RISK RATING SCALE					
IMPACT					
CRITICAL	Medium	Medium	High	High	High
MAJOR	Medium	Medium	Key	High	High
MODERATE	Low	Medium	Key	Key	High
MINOR	Low	Low	Medium	Medium	Medium
INSIGNIFICANT	Low	Low	Low	Low	Medium
LIKELIHOOD OF OCCURENCE	UNLIKELY	LOW PROBABILITY	POSSIBLE	HIGH PROBABILITY	ALMOST CERTAIN

■ High
 ■ Key
 ■ Medium
 ■ Low

In driving a proactive risk management culture, the Board and Management ensure regular risk awareness and coaching sessions are held for the Group's employees so they have a good understanding of risk management and are able to apply the relevant principles.

The ERM team also works closely with the Group's operational managers to continuously strengthen the Group's risk management initiatives to enable effective response to the constantly changing business environment, thus to protect and enhance shareholder value.

CONTROL ENVIRONMENT AND STRUCTURE

The Board and Management have established numerous processes for identifying, evaluating and managing significant risks faced by the Group. These include periodic testing of the effectiveness and efficiency of the internal control procedures and updating the system of internal controls when there are changes to the business environment or regulatory guidelines. These processes have been in place for the financial year ended 31 December 2018 and up to the date of approval of this Statement on Risk Management and Internal Control for inclusion in the Annual Report.

Statement on Risk Management and Internal Control

Key elements of the Group's control environment include:

1. Organisation Structure

The business of the Group is overseen by the Board, which provides direction and oversight to the Group and CEO, who is supported by Management. The Board is supported by a number of established Committees, namely the Audit, Nomination, Remuneration and Business and IT Transformation Committees, and ad-hoc operational and governance committees formed from time to time, all of which facilitate the Board in the discharge of its duties. Each Committee has clearly defined terms of reference and responsibilities, and reports back to the Board on its activities to keep the Board updated and to assist in decision-making where relevant (please refer to the Statement of Corporate Governance for further details).

Responsibility for implementing the Group's strategies, operations and day-to-day business, including implementing the system of risk management and internal control, is delegated to the CEO. The organisation structure sets out a clear segregation of roles and responsibilities, lines of accountability and limits of authority to ensure effective and independent stewardship.

2. Audit Committee

The Audit Committee comprises five non-executive members of the Board, the majority of whom are Independent Directors. Its members bring with them knowledge, expertise and experience from different industries and backgrounds such as telecommunications and media, engineering, auditing, finance and treasury, human resources and general management. The Audit Committee reviews the Group's financial reporting process, the system of internal controls and management of enterprise risk, the processes and reports from both internal and external auditors and the Group's process for monitoring ethics and whistleblowing, compliance with laws and regulations and its own code of business conduct, as well as such other matters which may be specifically delegated to the Committee by the Board from time to time. Throughout the financial year, Audit Committee members are briefed on corporate governance practices, updates to the Malaysian Financial Reporting Standards, as well as legal and regulatory requirements and updates in addition to key matters affecting the financial statements of the Group.

The Audit Committee also reviews and reports to the Board on the independence of the external auditors and their audit plan, nature, approach, scope and other examinations of external audit matters. It also reviews the effectiveness of the internal audit function which is further described in the following section on Internal Audit.

The Audit Committee continues to meet regularly and has full and unimpeded access to the internal and external auditors and all employees of the Group. The Chairman of the Audit Committee provides the Board with reports of all meetings held. Further details of activities undertaken by the Audit Committee are set out in the Audit Committee Report on pages 84 to 87.

3. Internal Audit

The Internal Audit department continues to independently, objectively and regularly review key processes, evaluate the adequacy and effectiveness of internal control, risk management and governance processes established by Management and/or the Board within the Group. It highlights significant findings and corrective measures in respect of effectiveness of risk management, control and governance processes to members of the MMT and Audit Committee on a timely basis. Its work practices are governed by the Internal Audit Charter, which is subject to revision on an annual basis. The annual audit plan, established primarily on a risk-based approach, is reviewed and approved by the Audit Committee annually and an update is given to the Audit Committee every quarter. The Audit Committee oversees the Internal Audit department's function, its independence, scope of work and resources. The Internal Audit department also maintains a quality assurance and improvement programme and continuously monitors its overall effectiveness through internal self-assessments.

The Internal Audit function follows the requirements of the latest International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors Inc. Further details of the Internal Audit function and its activities are set out in the Audit Committee Report on pages 85 to 86.


Statement on Risk Management and Internal Control

4. Code of Business Practice

The Group is committed to conducting its business fairly, impartially and ethically and in full compliance with all laws and regulations. The Maxis Code of Business Practices (the Code) stipulates how Directors and employees as well as external parties such as third-party employees, contractors, consultants and/or personnel positioned in Maxis' premises and acting on Maxis' behalf, including all parties or entities doing business with Maxis, should conduct themselves in business matters. All Directors and employees are required to declare their compliance with the Code upon joining the Group. Communiqués on the Code are sent out to all employees regularly throughout the year to ensure they understand what is expected of them. Employees are also required to complete an annual mandatory assessment on the Code. External parties, including suppliers, who conduct business with the Group have to sign a declaration that they have read and will adhere to the Code upon beginning of work with the Group.

Maxis upholds ethical procurement practices with its suppliers at all times, providing a level "playing field" which is guided by suppliers' compliance to technical and commercial requirements forming the basis of evaluation and selection of suppliers. This includes our commitment to open and transparent competition based on suppliers' capability and experience and not just on size and maturity, to help new businesses flourish and ensure that our suppliers meet minimum standards of social responsibility.

To ensure the Code is adhered to, the Head of People and Organisation together with Industrial Relations personnel provide policy guidance facilitating compliance. They look at ways to continuously enhance the Group's standards of business conduct and ethics, and benchmark these against best practices. Our Ethics Hotline also serves as a safe and effective channel for employees or parties dealing with Maxis to report any incidence or occurrence which is not in accordance with the Code.

 For more details on the Ethics Hotlines please refer to Corporate Governance Statement on page 82.

5. Revenue Assurance

The Revenue Assurance team is responsible for monitoring potential revenue leakage arising from day-to-day operations. This includes performance and examination of regular test calls, reconciliations of chargeable transactions from network and IT systems to the billing systems, and

independent rating of key services via automated tools. Processes and controls within the revenue cycle are also reviewed regularly to ensure they function effectively and efficiently. Key issues and mitigation actions are reported to the Management monthly and reported to the Audit Committee on a half-yearly basis. The Revenue Assurance department meets key stakeholders on an ongoing basis to address key revenue assurance issues and drive revenue assurance initiatives across the Group.

6. Subscriber Fraud Management

The Subscriber Fraud Management (SFM) function complements the Revenue Assurance function. While the Revenue Assurance function monitors and reviews controls within the revenue cycle as indicated above, the SFM function monitors daily subscriber calls/events on a near real-time basis. Immediate action is taken to manage suspected fraudulent calls/events, using an industry developed system to monitor call patterns on a 24/7 basis throughout the year in addition to other manual reporting investigations. SFM also reviews key new services and products for possible fraud risk and recommends counter-measures. Instances of fraud, along with the remedial actions taken, are reported to the Management on a monthly basis and presented half-yearly to the Audit Committee.

7. Business Continuity Planning

The Business Continuity Planning (BCP) team is responsible for identifying activities and operations that are critical to sustain business operations in the event of a disaster. These include facilitating the building of additional redundancies in network infrastructure, establishing alternate sites where key operational activities can be resumed, and mitigating the risk of high-impact loss through appropriate insurance coverage. A risk-based approach is applied in identifying key initiatives and their levels of importance by reviewing critical systems and single-point of failures as well as their impact on the Group's business. During the financial year, critical areas as identified by risk priority were tested to assess the effectiveness of BCP. Progress on the initiative was presented half-yearly to the BCP Steering Committee. In addition, learnings from major incidents were presented half-yearly to the Audit Committee. Since January 2012, Maxis has also been certified under ISO 22301, the international certification standard for Business Continuity Management systems.

Statement on Risk Management and Internal Control

8. Regulatory

The Regulatory function ensures compliance with the Communications and Multimedia Act 1998 (CMA) and its applicable rules and regulations which govern the Group's core business in the communications and multimedia sector in Malaysia. As a licensee under the CMA, the Group adheres to its licensing conditions, as well as economic, technical, social and consumer protection regulations embedded in the CMA and its subsidiary legislation. The Group actively participates in new regulatory and industry development consultations initiated by MCMC.

The Regulatory function also frequently engages MCMC and the Ministry of Communications and Multimedia Malaysia in discussions on pertinent industry issues.

9. Legal

The Legal department plays a pivotal role in ensuring that the interests of the Group are preserved and safeguarded from a legal perspective. It ensures that the Group's operations and transactions with third parties comply with all relevant laws. It plays a key role in advising the Board and Management on legal and strategic matters. The Board is also briefed through reports to the Audit Committee on material litigation and any changes in the law that could affect the Group's operations.

10. Company Secretary

Please refer to page 77 of the Statement on Corporate Governance in this Annual Report.

11. Limits of Authority

A Limits of Authority (LOA) manual sets out the authorisation limits for various levels of Maxis' Management and staff as well as matters requiring Board approval to ensure accountability, segregation of duties and control over the Group's financial commitments. The LOA manual is reviewed and updated periodically to align with business, operational and structural changes.

12. Policies and Procedures

There is extensive documentation of policies, procedures, guidelines and service level agreements on the Group's intranet site including those relating to finance, contract management, marketing, procurement, human resources, information systems, network operations, legal, system and information security controls. Continuous control enhancements are made to cater for business environment changes and to align with Maxis' new growth-driven business strategy.

13. Financial and Operational Information

Budgets are prepared by the operating units and presented to the Board before the commencement of a new financial year. Upon approval of the budget, the Group's performance is tracked and measured against the budget on a monthly basis. Reporting systems which highlight significant variances against budget are in place to track and monitor performance. The variances in financial as well as operational performance indices are incorporated in monthly management reports. On a quarterly basis, actual results and a rolling forecast are reviewed by the Board to enable the Directors to evaluate the Group's performance compared to the budget and prior periods.

14. Systems and Information Security

The Systems and Information Security (SIS) unit, together with its various functions including Security Planning/Projects, Security Operations, Security Forensics, Threat Intelligence and Assurance, is responsible for monitoring and resolving security threats to the Group both internally and externally. This includes conducting security awareness, vulnerability assessment and penetration test programmes, managing the 24X7 Security Operation Centre, and compliance audits on the IT systems and networks of Maxis to reduce the impact of service interruption due to malicious activities, cyber-attacks, negligence and malware. The effectiveness of the security programme is assessed by external and internal auditors as part of their annual reviews. SIS reports quarterly to the Audit Committee on the Group's security status.

Statement on Risk Management and Internal Control

Apart from the internal security compliance programmes, the unit is also required to maintain and assist in the compliance of regulatory and industry security programmes such as the MS/ISO27001:2013, Payment Card Industry/Data Security Standard, and the Personal Data Protection Act 2010.

The unit is governed by the Security Governance team, which is made up of members of MMT and the Head of Internal Audit and who meet periodically to direct and approve the corporate security policies and standards set by the unit and security projects undertaken by the unit.

MONITORING AND REVIEW

Processes to monitor and review the effectiveness of the system of risk management and internal controls include:

1. Management Representations made to the Board by the CEO and Chief Financial Officer (CFO), based on representations made to them by Management on the adequacy and effectiveness of the Group's risk management and internal control system in their respective areas. Any material exceptions identified are highlighted to the Board.
2. Internal Audit, in its quarterly report to the Audit Committee and members of MMT, continues to highlight significant issues and exceptions identified during the course of compliance reviews of processes and controls.
3. Fraud Working Group (FWG), comprising representatives from business units, Revenue Assurance and SFM, People and Organisation and Internal Audit departments, establishes and monitors fraud related policies; and regularly reviews and agrees on actions to be taken on identified instances of fraud.
4. The Defalcation Committee meets regularly to deal with matters pertaining to fraud and unethical practices. All issues arising from work carried out by the investigation team within the Internal Audit department and matters reviewed by FWG are channelled to this committee for deliberation. Based on the findings, the committee decides on appropriate actions to be taken. The committee also reviews and monitors the status of actions taken on a regular basis.
5. Enterprise Risk Management team reports to the Board on a quarterly basis through the Audit Committee on the Group's risk profile and progress of action plans to manage and mitigate risks.

Management has taken the necessary actions to remediate weaknesses identified during the period under review. The Board and Management will continue to monitor the effectiveness of the risk management and internal control environment, and take measures to strengthen it.

CONCLUSION

For the financial year under review and up to the date of issuance of the financial statements, the Board is satisfied with the adequacy and effectiveness of the Group's system of risk management and internal control to safeguard the interest of shareholders. No material losses, contingencies or uncertainties have arisen from any inadequacy or failure of the Group's system of internal control that would require separate disclosure in the Group's Annual Report. The CEO and CFO have provided assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively in all material aspects.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required under paragraph 15.23 of Bursa Malaysia Securities Berhad's Main Market Listing Requirement, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide 3 (AAPG 3): 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. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Directors' Responsibility Statement

The Companies Act 2016 (the Act) requires the Directors to prepare financial statements for each financial year in accordance with the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, and the provisions of the Act and the Main Market Listing Requirements of Bursa Securities, and to lay these before the Company at its Annual General Meeting.

The Directors are responsible for ensuring that the financial statements provide a true and fair view of the financial position of the Group and the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year ended 31 December 2018.

The Act also requires the Directors to keep such accounting and other records in a manner that enables them to sufficiently explain the transactions and financial position of the Company and the Group and to prepare true and fair financial statements and any documents required to be attached, as well as to enable such accounting records to be audited conveniently and properly.

In undertaking the responsibility placed upon them by law, the Directors have relied upon the Group's system of internal control to provide them with reasonable grounds to believe that the Group's accounting records, as well as other relevant records, have been maintained by the Group in a manner that enables them to sufficiently explain the transactions and financial position of the Group. This also enables the Directors to ensure that true and fair financial statements and documents required by the Act to be attached are prepared for the financial year to which these financial statements relate.

Incorporated on pages 102 to 203 of this Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 2018.