

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of KUB Malaysia Berhad ('the Board') remains committed to ensure that good corporate governance is practised throughout the Group in enhancing Shareholders' value and the financial performance of the Group. The Board acknowledges its responsibility for compliance with the Main Market Listing Requirements ('Listing Requirements') of Bursa Malaysia Securities Berhad ('Bursa Malaysia'), the Malaysian Code on Corporate Governance 2012 ('the Code') and all other statutory requirements.

The Board is pleased to report as follows on the extent to which the principles and recommendations of the Code and the Listing Requirements were applied throughout the financial year ended 31 December 2015.

1. STRUCTURE OF THE BOARD

The Board is responsible for ensuring that Shareholders' value and interests are protected and enhanced. The Board has since the 50th Annual General Meeting continuously reviewed and adopted various guidelines and processes to enhance the standards of the corporate governance practised within the Group. These include but not limited to review the Board Charter and Terms of Reference of its Sub-Committees and the Management Guidelines ('the Policies'). The Company is currently enhancing the Policies based on the recommendations of the consultant pursuant to the Board Evaluation Assessment Exercise ('BEA').

1.1 Clear Functions of the Board and Management

There is a clear separation of functions between the Board and Management.

The Board's power and functions are specified in the Board Charter. Based on the Charter, the Board assisted by its Sub-Committees is ultimately responsible for the Group's corporate governance, strategic direction, establishing the Group's business and investment policies, overseeing the conduct of the Company's business and evaluating whether these are being properly and effectively managed. A clear guideline separating the functions of the Board and its Sub-Committees with the function of the Management is further spelt out in KUB Management Guidelines ('KUBMaG'). The KUBMaG is continuously reviewed by the Board in the financial year ended 31 December 2015 to suit the current business operations. With the redesign of the Group organisational structure, the operational policies and procedures will be further streamlined to accommodate the Group's business activities.

The Non-Executive Directors, with their different background, professions and experiences effectively contribute to independent view and judgement to facilitate the decision making process of the Group with regards to the various business strategies and performance.

No individual or group of individuals dominates the Board's decision making process. The Board adopts the concept of independence in tandem with the definition of 'Independent Director' pursuant to Paragraph 1.01 of the Listing Requirements; 'a Director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of an applicant or a listed issuer'.

1.2 Board Duties and Responsibilities

The Board has full control of the Group and oversees the business affairs to ensure proper management. These include adopting strategic plans, approving key business initiatives, major investments decisions, reviewing financial performance, developing corporate objectives and implementing investor relations programmes. It also determines succession plans for Management and ensures adequate internal controls to identify and manage risks. These actions are carried out directly by the Board and through its Sub-Committees.

All scheduled meetings held during the year were preceded by a formal notice issued by the Company Secretaries in consultation with the Chairman and/or President/Group Managing Director. Additional meetings are convened when specific directions or decisions are required expeditiously or urgently from the Board. Seventeen (17) Board Meetings were held during the financial year ended 31 December 2015. All Directors fulfilled the requirements of the Articles of Association and Listing Requirements in respect of the Board Meeting attendance.

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1. STRUCTURE OF THE BOARD (CONT'D)

1.2 Board Duties and Responsibilities (Cont'd)

At each quarterly meeting, the Board deliberated and considered the Group's financial results, discussed and reviewed the Group's business plan including financial performance to-date against the annual budget and financial plan previously approved by the Board for the year.

The Board has delegated certain responsibilities to the following Sub-Committees with clearly defined Terms of Reference:

Sub-Committees	Main Roles
Board Audit Committee	Assists the Board in overseeing the Group's adherence to regulatory and financial compliances, ensure system of internal controls and adherence to good corporate governance practices within the Group. Full details on the roles and responsibilities of the Board Audit Committee are reflected on page 62 to 70 of the Annual Report.
Board Nomination and Remuneration Committee	Assists the Board in overseeing the selection and assessment of Directors and Senior Management and assists the Board in determining their remuneration packages.
Board Risk Management Committee	Assists the Board in overseeing the implementation of enterprise risk management framework within the Group. Full details on the roles and responsibilities of the Board Risk Management Committee are reflected on page 59 to 61 of the Annual Report.
Board Investment Committee	Assists the Board in evaluating and examining the Company's strategic investment proposals to optimise the Group's returns on its investment activities.
Board Employee Shares Option Scheme Committee	Assists the administration of the Company's Employee Shares Scheme.
Board Executive Committee	Assists the Board in reviewing and approving the operational activities of the Group. Assuming the roles, responsibilities and functions of the Group Managing Director during the interim organisational structure. The Board Executive Committee has been dissolved on 19 August 2015.

The findings of the Sub-Committees are reported to the Board during Board Meetings.

1.3 Formalised Ethical Standards through Code of Ethics

The Board adopts the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

The Company Directors' Code of Ethics will be further enhanced through a code of conduct and to ensure the implementation of appropriate internal systems to support, promote and ensure its compliance.

Following the recommendation of the BEA Exercise, the Company is in the process of formulating the Directors' Code of Conduct to be embedded in the Directors' Handbook.

For the employees, the Group has implemented the Code of Ethics incorporating the Group's corporate values. The Code of Ethics reinforces the employees' moral principles and commitments acceptable to the Group. This covers all aspects of business operations including but not limited to confidentiality of information, conflict of interests, gifts, gratuities or bribes and breach of conducts.

1. STRUCTURE OF THE BOARD (CONT'D)

1.3 Formalised Ethical Standards through Code of Ethics (Cont'd)

The Board has approved the revision of the Whistleblowing Policy on 25 February 2016. The Whistleblowing Policy outlines the avenues and procedures for whistleblowers to communicate their concerns to the Board without Management's intervention and interference. The Whistleblowing Policy also describes the procedures to be taken for the investigating and dealing with reports on the misconduct of employees.

The official avenues for disclosure by the whistleblower are via any one (1) or more of the following persons:

- (i) Dato' Ahmad Ibnihajar; or
- (ii) Datuk Mohd Hafarizam Harun; or
- (iii) Dato' Ab Rahim Abu Bakar.

The Code of Ethics and Whistleblowing Policy are available on the Company's corporate website.

1.4 Strategies Promoting Sustainability

The Board promotes good corporate governance in the application of sustainability practices as outlined in the KUBMaG.

The governance structure focuses on creating and enhancing shareholders' value by striking a balance between short-term financial performance and long-term sustainability through sound corporate governance that upholds code of ethics, risk management and effective internal controls.

The Board has approved the adoption of Sustainability Reporting in accordance with Bursa Malaysia Listing Requirements and Guidelines. The Board Risk Management Committee shall oversee the Sustainability Reporting function. The Management Working Committee headed by the President/Group Managing Director and comprising Head of Companies/Head of Divisions/Departments/Units shall be established to identify and propose sustainability risks and opportunities strategies of their respective portfolios/business activities towards formulation of the Group's Sustainability Report.

1.5 Access to Information and Advice

The Directors have full and timely access to information, with Board Papers distributed in advance of meetings. The notice for each of the meetings is accompanied by the minutes of the preceding Board Meetings, together with the relevant information and supporting documents to facilitate the Board's informed decision-making process. Senior Management and consultants are also invited to attend the Board Meetings from time to time as deemed fit to assist the Board with management and operational input as well as professional advices. They also have access to the advice and services of the Company Secretaries and independent professionals as and when required. All issues raised, deliberations and decisions including dissenting views made at Board meetings along with clear actions to be taken by responsible parties are recorded in the minutes. Decisions made, policies approved and follow-up actions at Board meetings will be communicated to Management after the Board Meeting.

1.6 Company Secretaries

The Company Secretaries are persons qualified to act as company secretaries pursuant to Section 139 of the Companies Act 1965. The Company Secretaries are responsible to the Board in ensuring all governance matters and Board proceedings are followed and applicable laws and regulations are complied with.

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1. STRUCTURE OF THE BOARD (CONT'D)

1.7 Board Charter

The Board had adopted its Board Charter, of which a copy is published on the Company's website. The Company is currently enhancing the Board Charter based on the recommendations of the consultant pursuant to the BEA.

2. STRENGTHEN COMPOSITION

2.1 Merger of Board Nomination and Remuneration Committee

During the year, the Board Nomination Committee and Board Remuneration Committee were merged. The Board Nomination and Remuneration Committee comprises exclusively of Non-Executive Directors, a majority of Independent Directors. The Committee is chaired by Tunku Alizan Raja Muhammad Alias, the Non-Independent Non-Executive Director, being representative to the substantial shareholder to ensure the Board and Senior Management is adequately remunerated in discharging their obligations and responsibilities towards the Company.

The objectives of the Board Nomination and Remuneration Committee are to establish a documented formal and transparent procedure for the appointment of Directors and Senior Management as well as to assess the effectiveness of the Directors, the Board as a whole and the various Sub-Committees of the Board on an on-going basis.

The Board Nomination and Remuneration Committee has met five (5) times during the financial year ended 31 December 2015 (effective from the date of the merger exercise) for deliberation of the following key activities :

- (i) Appointment of the Chairman and Director;
- (ii) Appointment of the Group Managing Director and revision of the organisational structure;
- (iii) Revision of the composition of the Board Committees and Board Subsidiaries;
- (iv) Appointment of the External Joint Company Secretary;
- (v) Appointment of the Senior Management and redesign organisational structure; and
- (vi) Assessment and appointment of Head of Subsidiaries.

The attendance of the Members of the Board Nomination and Remuneration Committee at its Meeting held during the financial year under review is as follows:

Directors	Attendance
Tunku Alizan Raja Muhammad Alias (Chairman/Non-Independent Non-Executive Director)	5/5
Datuk Mohd Hafarizam Harun (Independent Non-Executive Director)	5/5
Dato' Ab Rahim Abu Bakar (Independent Non-Executive Director)	5/5
Dato' Jamelah A.Bakar (Independent Non-Executive Director)	5/5

2. STRENGTHEN COMPOSITION (CONT'D)

2.1 Merger of Board Nomination and Remuneration Committee (Cont'd)

Directors	Attendance
Tengku Zahaimi Tuan Hashim (Non-Independent Non-Executive Director)	1/1

Procedures relating to the appointment and re-election of Directors are contained in the Company's Articles of Association. All Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

The Board through the Board Nomination and Remuneration Committee continuously reviews its size and composition to ensure effective functioning of the Board.

2.2 Recruitment Process and Annual Assessment of Directors

The Board delegated to the Board Nomination and Remuneration Committee the responsibility of recommending the appointment of any new Directors, review of the Company's succession plans and training programmes.

The BEA was conducted to assess the Board's performance as well as to recommend improvement areas and remedial actions on the Board's administration and process. The performance evaluation was conducted for the Board as a whole, its Committees and contribution of each individual Director.

The Board, through the Board Nomination and Remuneration Committee continuously reviews and evaluates the performance of individual Directors.

2.3 Remuneration Policies

The Board Nomination and Remuneration Committee is entrusted with the role of determining and recommending remuneration packages for the Executive and Non-Executive Directors and Senior Management of the Group.

The Board has approved the revision of the Terms of Reference of the Board Nomination and Remuneration Committee on 30 March 2016.

The Board of Directors is of the view that the disclosure of remuneration by appropriate components and bands are sufficient to meet the objectives set out in the Listing Requirements.

The remuneration of the Directors for the financial year ended 31 December 2015 is as follows:

***Company Level Directorate	Defined Contribution				Benefits in Kind (RM)	Total (RM)
	Fees (RM)	Salary (RM)	Plans (RM)	Allowances (RM)		
Executive Director	-	313,871	50,221	-	32,580	396,672
Non-Executive Directors	431,333	-	-	494,667	124,559	1,050,559

*** Note: Includes resigned Directors

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2. STRENGTHEN COMPOSITION (CONT'D)

2.3 Remuneration Policies (Cont'd)

The number of Directors whose total remuneration falls within the following bands for the financial year ended 31 December 2015 is as follows:

***Range of remuneration KUBM Company Level	Executive	Number of Directors Non-Executive	Total
Below RM50,000	-	2	2
RM50,001 – RM100,000	-	4	4
RM100,001 – RM150,000	-	3	3
RM150,001 – RM200,000	-	2	2
RM350,001 – RM400,000	1	-	1

*** Note: Includes resigned Directors

The Board is of the opinion that whilst individual Directors' remuneration is not disclosed, the information provided above is in compliance with the Listing Requirements.

3. REINFORCE INDEPENDENCE

3.1 Assessment of Independence Annually

The Board adopts the concept of independence in tandem with the definition of Independent Director under Paragraph 1.01 of the Listing Requirements.

3.2 Tenure of Independent Directors & Re-designation as Non-Independent Non-Executive Director

As recommended by the Code, the Board adopts the nine (9) years policy for the tenure of the Independent Non-Executive Directors. An Independent Director who has served either for a cumulative or consecutive nine (9) year period will be re-designated as Non-Independent Non-Executive Director. In the case of Datuk Hj Faisyal Datuk Yusof Hamdain Diego, his independence has lapsed effective 18 August 2014 and thus, he has been re-designated as Non-Independent Non-Executive Director. Thereafter, the Board agreed that any Director having served the nine (9) years period, is to relinquish his/her Directorship.

3.3 Relationship of the Board with Management

The relationship between the Board and Management remain strong and cohesive during the year under review. Dato' Ahmad Ibnihajar, the Independent Non-Executive Chairman is responsible in leading and guiding the Board in achieving its objectives. Whereas, the President/Group Managing Director is responsible for the day-to-day operations of the Group and execution of the Board's decision.

The Chairman with his vast experience in various corporate sectors and non-governmental organisations ensures the effectiveness of the relationship between Directors and the Senior Management in generating an open and effective Board discussion.

3. REINFORCE INDEPENDENCE (CONT'D)

3.4 Composition of the Board

As at the date of the Annual Report, the Board consists of ten (10) members comprising one (1) Chairman/Independent Non-Executive Director, one (1) President/Group Managing Director, three (3) Non-Independent Non-Executive Directors and five (5) Independent Non-Executive Directors. The Independent Directors make up 60% of the Board membership which is in accordance with the Code.

The Board encourages female candidate to take up board positions with the appointment of Dato' Jamelah A.Bakar as Director in order to reach at least 30% female representation on the Board. The Board is of the view that while it is important to promote boardroom diversity, the normal selection criteria of a Director based on effective blend of competency, skill, vast experience and knowledge in the Company's business sector, should remain a priority so as not to compromise on qualification, experience and capability.

4. FOSTER COMMITMENT

4.1 Commitment of the Board Members

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. This is evidenced by the attendance record of the Directors at Board Meetings as set out below:

Directors	Attendance
Dato' Ahmad Ibnihajar (Chairman/Independent Non-Executive Director) (Appointed w.e.f. 27 November 2015)	2/2
Datuk Abdul Rahim Mohd Zin (President/Group Managing Director) (Appointed w.e.f. 17 August 2015)	5/5
Datuk Hj Faisyal Datuk Yusof Hamdain Diego (Non-Independent Non-Executive Director)	14/17
Datuk Mohd Hafarizam Harun (Independent Non-Executive Director)	17/17
Dato' Ab Rahim Abu Bakar (Independent Non-Executive Director)	16/17
Dato' Jamelah A.Bakar (Independent Non-Executive Director)	15/17
Dato' Sohaimi Shahadan (Independent Non-Executive Director)	16/17
Tunku Alizan Raja Muhammad Alias (Non-Independent Non-Executive Director) (Appointed w.e.f. 16 June 2015)	7/7
Tengku Zahaimi Tuan Hashim (Non-Independent Non-Executive Director) (Appointed w.e.f. 16 June 2015)	7/7

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4. FOSTER COMMITMENT (CONT'D)

4.1 Commitment of the Board Members (Cont'd)

Directors	Attendance
Mohammad Farish Nizar Othman (Independent Non-Executive Director) <i>(Appointed w.e.f. 27 November 2015)</i>	1/1
Y.B. Senator Datuk Seri Hj Abd. Halim Hj Abd. Samad (Non-Independent Non-Executive Director) <i>(Resigned w.e.f. 15 June 2015)</i>	10/10
Dato' Gumuri Hussain (Senior Independent Non-Executive Director) <i>(Resigned w.e.f. 15 June 2015)</i>	10/10

4.2 Continuing Education Programmes

All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia. The Directors will continue to attend other training courses to equip themselves effectively and discharge their duties as Directors on a continuous basis in compliance with Paragraph 15.08 of the Listing Requirements.

Based on the BEA findings, the training structure for the Board will be continuously reviewed to be relevant with the changing business needs. In the financial year ended 2015, the Group Secretarial Division has conducted an in-house programme for Directors and Management.

Particulars of training programmes attended by the Directors during the period under review are as follows:

Scope	Programme
Corporate Governance	<ul style="list-style-type: none"> Governance, Director Duties & Regulatory Updates Seminar 2015 Towards Board Excellence In-house Directors' Training Programme : Overview of Proposed Companies Bill 2015 Bursa Malaysia Corporate Governance Breakfast Series with Directors: Bringing the Best out in Boardrooms Mandatory Accreditation Programme
Risk Management	<ul style="list-style-type: none"> Institute of Enterprise Risk Practitioners : Qualified Risk Director Programme: Yellow Belt & White Belt Enterprise Risk Management: Driving Organisational Sustainability, Agility and Resilience Enterprise Risk Management: The Next Generation Qualified Risk Director Programme: Evolving Expectations for Board
Taxation	<ul style="list-style-type: none"> Malaysian Goods and Services Tax: An Overview for Directors and Alternative Energy Outlook for Malaysia and the Region

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Board is responsible for ensuring that financial statements prepared for each financial year give a true and fair view of the Group's state of affairs. The Directors took due care and reasonable steps to ensure that the requirements of accounting standards were fully met. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board of Directors prior to their releases to Bursa Malaysia.

5.2 Assessment of Suitability and Independence of External Auditors

The Company has established a transparent and appropriate relationship with the Group's external auditors through the Audit Committee. The Audit Committee meets the external auditors without the presence of the Management at least twice (2) a year. The Audit Committee also undertakes an annual assessment of the suitability and independence of the external auditors.

The role of the Audit Committee in relation to the external auditors is described on page 62 to 70 of the Annual Report.

6. RECOGNISE AND MANAGE RISKS

6.1 Framework to Manage Risks

The risk management and internal control system is regularly reviewed by the Management and relevant recommendations are made to the Board for approval. The Company continues to maintain and review its internal control procedures to ensure that its assets and its Shareholders' investments are protected.

Full report on the Company's Risk Management and Internal Control is reflected on page 55 to 58 of the Annual Report.

6.2 Internal Audit Function

The Board has established an internal audit function within the Company. Details of the Group's internal control system are set out in the Statement on Risk Management and Internal Control of this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy & Procedures

The Company adopts the requirement on corporate disclosure as stipulated under Chapters 9 and 10 of the Listing Requirements. This is further spelt out in the Group's KUBMaG. The KUBMaG is continuously reviewed by the Board in the financial year ended 31 December 2015 to suit the current business operations.

7.2 Leverage on Information Technology

The Group maintains its corporate website which is accessible at www.kub.com.

Information such as Company's profiles, Group structure, Directors' Profile, Announcements released to Bursa Malaysia, Annual Reports and other recent news of the Group are accessible on the Company's corporate website.

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8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Shareholders' Participation at General Meetings

The Board recognises the importance of effective communication with Shareholders and the investment community, and adheres strictly to the disclosure requirements of Bursa Malaysia.

Quarterly reports on the Group's results and announcements can be accessed from Bursa Malaysia's website. Shareholders are notified of the meeting and provided with a copy of the Annual Report earlier than the minimum notice period of twenty-one (21) days before the meeting.

In addition, the Group's Annual Report contains a review of its financial performance, supported by facts and statistics. The Annual General Meeting is the principal forum for dialogue with Shareholders. The Board provides an opportunity for the Shareholders to raise questions pertaining to the business activities of the Group. Highlights on the Group's financial performance are also presented to the Shareholders at the Annual General Meeting for their information.

All Directors are available to respond to questions from Shareholders during the Annual General Meeting. The external auditors are also present to provide professional and independent clarification on issues and concerns raised by the Shareholders.

8.2 Encourage Poll Voting

The Board encourages the Shareholders to request for the resolutions put forth to be voted by poll. The procedure for voting by polls is in accordance with the Company's Articles of Association.

8.3 Communication and Engagements with Shareholders and/or Stakeholders

The Group's Communication Guidelines empowers the Chairman and/or President/Group Managing Director as the spokespersons of the Group. In order to ensure that the stakeholders and investing public have updated information on the Group's performance, operations and other significant developments, various corporate announcements required under the Listing Requirements have been made during the period under review. In addition, detailed information on the Group's significant corporate events and developments were made through the media via press release and/or press conference.

COMPLIANCE STATEMENT

The Company is committed to achieve high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Company is taking the necessary steps to enhance the processes and procedures from time to time in compliance with the Listing Requirements, the Code and other regulatory requirements.

In this regard, the Board considers that the Group has complied satisfactorily with the principles and recommendations as stipulated in the Code throughout the financial year ended 31 December 2015.

This Statement is made in accordance with the resolution of the Board of Directors dated 30 March 2016.