

CORPORATE GOVERNANCE STATEMENT

The Board of Iskandar Waterfront City Berhad (“Company”) appreciates the importance of adopting high standards of corporate governance in the Company and the group in order to safeguard stakeholders’ interests as well as enhancing shareholder value.

Pursuant to Paragraph 15.25 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), this Corporate Governance Statement (“Statement”) sets out how the Company has applied the 8 Principles and observed the 26 Recommendations, including Commentaries, of the Malaysian Code on Corporate Governance (“MCCG 2012”) for the financial year ended 31 December 2016. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year, the non-observation, including reasons thereof, and the alternative practice adopted, if any, is mentioned in this Statement.

Principle 1 - Establish clear Roles and Responsibilities of the Board and Management

The Board recognises its key role in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- review, evaluate, adopt and approve the strategic plans and policies for the Group;
- oversee and monitor the conduct of the businesses and financial performance and major capital commitments of the Group;
- review and adopt budgets and financial results of the Group, monitor compliance with applicable accounting standards and the integrity and adequacy of accurate financial information disclosure;
- review and approve any major corporate proposals, new business ventures or joint ventures of the Group;
- Ensure adequate measures are taken to protect all assess of the group and maximise their potential;
- review, evaluate and approve any material acquisitions or disposals of undertakings and assets in the Group;
- identify principal risks and assess the appropriate risk management systems to be implemented to manage these risks;
- establish and oversee a succession planning programme for the Group, including the remuneration and compensation policy thereof;
- establish, review and implement corporate communication policies with the shareholders, investors, other key stakeholders and the public;
- review and determine the adequacy and integrity of the internal control systems and management information of the Group; and
- develop a corporate code of conduct to address, amongst others, any conflicts of interest relating to directors, major shareholders and/or management.

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee, Risk Management Committee and Tender Award Committee to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

Board Charter

The Board is aware of the need to clearly demarcate the duties and responsibilities of the Board, Board Committees and Management, including the limits of authority accorded, in order to provide clarity and guidance to Directors and Management. The Board had during the financial year 2015 formalised and adopted a Board Charter, setting out, inter-alia, the roles of the Board, Board Committees, Executive and Non-Executive Directors and Management. The Charter serves as a reference point for Board activities to enable Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company. The Board shall updates the Charter as and when need arises to reflect changes to the Company's policies, procedures as well as to comply with the latest regulations and legislations.

The full Charter is available on the Company's website at www.iwcity.com.my in line with Recommendation 1.7 of the MCCG 2012.

The number of meetings of the Board and Board Committees held during the year were:

<i>Types of meeting</i>	<i>No. of meetings</i>
Board of Directors	6
Audit Committee	5
Nomination Committee	3
Remuneration Committee	2
Risk Management Committee	3
Tender Award Committee	9

The role of the Independent Non-Executive Chairman of the Board and the Executive Vice Chairman ("EVC") are separate with each having a clear scope of duties and responsibilities. The distinct and separate roles of the Chairman and the EVC, with a clear division of functions and responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision making. This crucial partnership dictates the long term success of the Group. The Chairman plays a crucial and pivotal role in ensuring the leadership, effectiveness, conduct and governance of the Board, whilst the EVC has overall responsibility for the operational and business units, organisational effectiveness, implementation of Board policies, directives, strategies and decisions. The Board has delegated to the EVC the day-to-day management of the Group, supported by the Chief Executive Officer ("CEO") and/or Executive Director and a team of experienced managers. The EVC is responsible for the executive function of the Group's business and leading Management in implementing decisions and pursuing corporate objectives as approved by the Board. He may however delegate some of the day-to-day management to the CEO and/or

the Executive Director while Non-Executive Directors do not participate in the day-to-day management of the Company, they contribute their expertise and experience to the development and monitoring of its corporate strategy.

Code of Conduct and Whistle-Blower Policy

The Board recognises the importance of having in place a Code of Conduct, setting out the standards of conduct expected from Directors and employees, to engender good corporate behaviour and has formalised such a Code, including uploading the same on the Company's website. Meanwhile, the Board Charter sets out provision for disclosure and conflict of interest to be observed by Directors. The Company's Terms and Conditions of Service for employees also include provisions on conduct, which highlight, amongst others, the need to refrain from accepting any forms of gifts or inducement from interested or potentially interested party.

The Board has also established and adopted a Whistle-Blowing Policy and Procedures document, which outlines when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of regulatory requirements involving employee, Management or Director in the Group.

Sustainability of Business

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is considered in the Group's corporate strategies.

The sustainability initiatives and activities undertaken by the Group for the financial year ended 31 December 2016 are disclosed in the "Statement on Corporate Social Responsibility" on Page ____, provided in this Annual Report.

Supply of, and Access to, Information

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for decisions to be made on an informed basis and for an effective discharge of the Board's responsibilities.

Timely dissemination of meeting agenda, including the relevant Board and Board Committee papers to all Directors prior to the Board and Board Committee meetings to give effect to Board decisions and to deal with matters arising from such meetings, is observed. Board members are furnished with pertinent explanation and information on relevant issues and recommendations by Management. The issues are then deliberated and discussed thoroughly by the Board before a decision is made.

In addition, Board members are updated on the Group's activities and its operations on a regular basis. All Directors have access to information of the Company on a timely basis in an appropriate manner and quality necessary to enable them to discharge their duties and responsibilities.

Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda. Besides direct access to Management, Directors may obtain independent professional advice at the Company's expense, if considered necessary, in furtherance of their duties. However, during the year, the Directors did not encounter any situations requiring such advice. This procedure is formalised in the Company's Board Charter.

Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries, who are qualified, experienced and competent on statutory and regulatory requirements, on the resultant implications of any changes in regulatory requirements to the Company and Directors in relation to their duties and responsibilities. The Company Secretaries, who oversee adherence to Board policies and procedures, brief the Board on the proposed contents and timing of material announcements to be made to regulators. The Company Secretaries attend all Board and Board Committee meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The removal of the Company Secretaries, if any, is a matter for the Board, as a whole, to decide.

Principle 2 - Strengthen Composition of the Board

The Board currently comprises nine (9) members, three (3) of whom are Executive Directors, one (1) Non-Independent Non-Executive Directors, and five (5) Independent Non-Executive Directors. This composition fulfills the requirements as set out under MMLR of Bursa Malaysia, which stipulates that at least two (2) Directors or one-third of the Board, whichever is higher, must be Independent. The profile of each Director is set out in this Annual Report. The Directors, with their different backgrounds and specializations, collectively bring with them a wide range of knowledge, skills, experience and expertise in areas such as public administration, property development, construction, quantity surveying, building and civil engineering, information systems, accounting and audit and legal.

Nomination Committee

The Nomination Committee, established by the Board with specific terms of reference which is available on the Company's website at www.iwcity.com.my, comprises the following Directors as its members:

- Mr. Bernard Hilary Lawrence (Chairman)
- Mr. Khoo Boon Ho
- Dato' Hj Ayub bin Mion

The Nomination Committee is primarily responsible for recommending suitable appointments to the Board, taking into consideration the Board structure, size, composition and the required mix of expertise and experience which the Director should bring to the Board. It is also tasked to assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director.

The final decision on the appointment of Director in respect of a candidate recommended by the Nomination Committee rests with the Board. The Company Secretaries ensure that all appointments are properly made upon obtaining all necessary information from the Director. During the financial year under review, the Nomination Committee met three (3) times, attended by all members to carry out the following activities:

- evaluated and recommended to the Board the independence of Directors for the purpose of re-designation and re-appointment as Independent Non-Executive Directors;
- recommended to the Board the new member to fill the composition of the Remuneration Committee and Risk Management Committee; and
- evaluated the candidature for Executive Director and recommended the same to the Board for approval.

The Nomination Committee has carried out an assessment of the Board, Board Committees and individual Directors in relation to their performance and contribution towards meeting the needs of the Company. The evaluation took into consideration the competency, experience, character, integrity and time availability, including the mix of skills, of the Directors concerned.

The Nomination Committee also recommends to the Board those Directors who are retiring at the forthcoming Annual General Meeting for re-election, including the continuation in office of the Independent Non-Executive Director who has exceeded the 9-year tenure. For the purpose of assessing the independence of Independent Non-Executive Directors, the criteria set out in Paragraph 1.01 of the MMLR of Bursa Malaysia were used. A Board diversity policy has been formalised to ensure that the Board comprises Directors of the required mix of skills and experience to assist the Company in achieving its objectives. However, insofar as Board diversity is concerned, the Board does not intend to set out any specific policy on targets for women Director, age or ethnicity composition in the Board. The Board believes that the on-boarding process of Directors should not be based on any gender, age or ethnicity discrimination. As such, the evaluation of suitable candidates is solely based on the candidates' competency, character, time availability, integrity and experience in meeting the needs of the Company, including, where appropriate, the ability of the candidates to act as Independent Non-Executive Directors, as the case may be.

Remuneration Committee

The Remuneration Committee, established by the Board with specific terms of reference, comprises the following Independent Non-Executive Directors:

- Mr. Lim Foo Seng (Chairman)
- Dato' Hj Ayub bin Mion
- Mr. Bernard Hilary Lawrence
- Prof. Emeritus Azman bin Awang (ceased as Chairman and member w.e.f. 29 March 2016)
- Mr. Cho Joy Leong @ Cho Yok Lon (ceased as member w.e.f. 25 May 2016)

The Remuneration Committee ("RC") assists the Board in recommending the remuneration of Directors. The RC meets as and when required to review Directors' remuneration. However, at the request of the Executive Directors of the Company, all Executive Directors do not benefit from any remuneration package except for the Directors' allowance, at the same amount received by the Non-Executive Directors (other than the Chairman). In the case of Non-Executive Directors, the level of remuneration is determined by the Board as a whole and reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. In all instances, the deliberations are conducted with the Directors concerned abstaining from discussions on their individual remuneration. During the year, the Committee met twice attended by all members.

In compliance with the MMLR, the remuneration paid to directors, in aggregation and analysed into bands of RM50,000.

Tender Award Committee

The Tender Award Committee ("TAC"), established by the Board, is headed by the following directors of the Company, one of which is a Senior Independent Non-Executive Director:

- Tan Sri Dato' Lim Kang Hoo
- Mr. Khoo Boon Ho
- Mr. Wong Khai Shuan

In the absence of any of Executive Directors, any director may nominate other persons to attend the meeting. Besides, there are some senior management acting as the members of the TAC to assist the Board in the deliberation of the relevant tenders. The TAC meets regularly to review and award tenders for expenditure in excess of RM25,000. At all times the Independent director has attended the meeting during the year.

The TAC invites and considers Tenders for the supply of goods or services or works to be undertaken which are necessary for carrying out the objective of Procurement and Contract Administration and shall make decisions or recommendations on the acceptance or rejection of such Tenders.

The TAC ensures that procurement is geared to achieve the high quality of goods, services and construction which commensurate with the objectives. The TAC ensures accountability and transparency in all matters pertaining to tendering, procurement and contracting and also ensures the selection of all contractors and service providers is made on transparent, fair and cost-effective basis.

Principle 3 – Reinforce Independence of the Board

The Independent Non-Executive Directors bring to bear objective and independent views, advice and judgment on interests, not only of the Company, but also of shareholders and stakeholders. Independent Non-Executive Directors are essential for protecting the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality. The Board has appointed Mr. Khoo Boon Ho as the Senior Independent Non-Executive Director to whom concerns may be conveyed by shareholders and other stakeholders.

The Board recognizes the importance of establishing criteria on independence to be used in the annual assessment of its Independent Non-Executive Directors. The definition on independence accords with the MMLR of Bursa. The independent directors also have made declaration of their Independence Status on a yearly basis to the Company. At end of the financial year, only one Independent Non-Executive Director, namely Mr. Khoo Boon Ho, has served for a cumulative period exceeding nine (9) years. Following an assessment on the tenure and independence of all Independent Non-Executive Directors, Mr. Khoo Boon Ho, who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years as at the end of the financial year under review, has been recommended by the Board to continue to act as Independent Non-Executive Director. Key justifications for his recommended continuance as Independent Non-Executive Director are as follows:

- he fulfills the criteria under the definition on Independent Non-Executive Director as stated in the Listing Requirements and, therefore, is able to bring independent and objective judgment to the Board;

- his skills, competence and experience are pivotal in relation to the needs of the Board, Audit Committee, Nomination Committee and also TAC in their deliberations;
- his time commitment to the Company as evidenced by his meeting attendance at Board, Board Committee meetings and TAC Meetings ; and
- he has been with the Company long enough to understand the Group's business operations which enable him to contribute actively during deliberations or discussions at the Board, Audit Committee, Nomination Committee, and TAC.

Additionally, the Board is of the view that the independence of Directors cannot be assessed only based on the length of service, but that the true independence emanates from intellectual honesty, manifested through a genuine commitment to serve the best interests of the Company.

Principle 4 – Foster commitment of Directors

The Board ordinarily meets at least four (4) times a year, scheduled well in advance before the end of the preceding financial year to facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. Board and Board Committee papers, which are prepared by Management, provide the relevant facts and analysis for the convenience of Directors. The meeting agenda, relevant reports and Board papers are furnished to Directors and Board Committee members well before the meeting to allow the Directors sufficient time to study for effective discussion and decision making during meetings. At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major strategic, operational and financial issues. The Chairman of the Audit Committee briefs the Directors at each Board meeting the salient matters noted by the Audit Committee and which require the Board's attention or direction. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings.

Board Meetings

There were six (6) Board meetings held during the financial year ended 31 December 2016, with details of Directors' attendance set out below:

Name of Director	Attendance
Dato' Hj. Ayub bin Mion	6/6
Tan Sri Dato' Lim Kang Hoo	3/6
Datuk Lim Keng Guan	4/6
Mr Wong Khai Shiuan	6/6
En Izaddeen bin Daud	5/6
Mr Khoo Boon Ho	6/6
Mr Bernard Hilary Lawrence	6/6
Mr Mohd Salleh bin Othman	6/6
Mr Lim Foo Seng	6/6

En Abd Razak bin Mohd Yusoff (alternate director)	6/6
Mr Lim Chen Herng (alternate director)	1/6
Prof. Emeritus Azman bin Awang (resigned on 29 March 2016)	1/1
Mr Cho Joy Leong (retired on 25 May 2016)	2/2
Mr Chow Yoon Sam (retired on 25 May 2016)	2/2

It is the practice of the Company for Directors to devote sufficient time and efforts to carry out their responsibilities. All the Directors have met the stipulations of the MMLR on attendance at Board meeting.

Directors' Training – Continuing Education Programmes

The Board is mindful of the importance for its members to undergo continuous training to be apprised of changes to regulatory requirements and the impact such regulatory requirements have on the Group.

All the Directors of the Company have attended the Mandatory Accreditation Programme conducted by Bursa Malaysia Training Sdn Bhd within the stipulated timeframe required by the MMLR of Bursa Malaysia.

During the financial year, all Directors attended the in-house training organised by The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), entitled "New Companies Bill 2015: Significant Changes and How It Affects You".

In addition, the Directors also attended several seminars as follows:-

<u>Name of Director</u>	<u>Training attended</u>
(a) Mr Lim Foo Seng	<ul style="list-style-type: none"> • Audit Oversight Board New Auditor's Report – Sharing the UK Experience • Risk Management Training for Directors : I am Ready to Manage Risks

The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role. Moving forward, training needs analysis will be conducted on individual Directors, considering the results of the assessment on the Board, Board Committees and individual Directors, to enable training programs to be developed.

Principle 5 – Uphold integrity in financial reporting by the Company

It is the Board's commitment to present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of Group's results to Bursa Malaysia, the annual financial statements of the Group and Company as well as the message to shareholders in the Annual Report.

Audit Committee

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising exclusively Independent Non-Executive Directors as below:

- Mr. Khoo Boon Ho (Chairman)
- Dato' Hj Ayub bin Mion
- Mr. Lim Foo Seng
- Mr. Cho Joy Leong @ Cho Yok Lon (ceased as member w.e.f. 25 May 2016)

The detailed composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report of page [] in this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia. Such financial statements comprise the quarterly financial report announced to Bursa and the annual statutory financial statements.

A policy governing the provision of non-audit services by the external auditors, in view of maintaining their independence and objectivity, has been developed and adopted by the Audit Committee.

In assessing the independence of external auditors, the Audit Committee requires written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

Principle 6 – Recognise and manage risks of the Group

The Board has established a risk management process to identify, evaluate, control, report and monitor significant risks faced by the Group. Periodic reporting of risk issues, including mitigating measures, is made by Management to the Risk Management Committee.

Risk Management Committee

The Risk Management Committee, established by the Board with specific terms of reference, comprises the following Independent Non-Executive Directors:

- Mr. Lim Foo Seng (Chairman)
- Mr. Bernard Hilary Lawrence
- Mr. Khoo Boon Ho

- Profesor Emeritus Azman bin Awang (ceased as Chairman and member w.e.f. 29 March 2016)

The risk management framework of the Group seeks to, amongst others, formalize the Board's risk appetite, use of key risk indicators and risk parameters, risk treatment plans and the formation of a Risk Management Committee, assisted by the management to follow up on risk management matters as well as action plans to address the findings raised by the internal auditors and external auditors.

The internal audit function of the Group is outsourced to an independent professional firm, who undertakes regular reviews of the adequacy and operating effectiveness of the Group's system of risk management and internal controls. The internal audit function reports directly to the Audit Committee. Further details on the internal audit function can be seen in the Audit Committee Report and the Internal Control Statement included in this Annual Report.

Principle 7 – Ensure timely and high quality disclosure

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, the Board has formalised pertinent policies and procedures not only to comply with the disclosure requirements as stipulated in the MMLR of Bursa Malaysia, but also identify the persons responsible to approve and disclose material information to the regulators, shareholders and stakeholders.

To augment the process of disclosure, the Board has earmarked a dedicated section for corporate governance on the Company's website where information on the Company's announcements to the regulators, rights of shareholders, the Company's Annual Report, etc., may be accessed.

Principle 8 – Strengthen relationship between the Company and its shareholders

Shareholder participation at general meeting

The Annual General Meeting ("AGM") and/or Extraordinary General Meeting ("EGM"), which is the principal forum for shareholder dialogue, allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification on any issues and to gain better understanding of the Group's business affairs and performance. At the AGM and EGM, shareholders participate in deliberating resolutions being proposed or on the Group's operations in general. At the last AGM, a question and answer session was held where the Chairman invited shareholders to raise questions with responses from the Board.

Notices of each AGM and EGM are issued in a timely manner to all shareholders. The Notice of AGM is circulated at least twenty one (21) days before the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. Shareholders are invited to ask questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. All Special Resolutions passed by the shareholders at the previous AGM held on 25 May 2016 was voted by a show of hands.

Bursa Securities introduced a new paragraph 8.29A of the MMLR which came into effect on 1 July 2016, requiring all resolutions set out in the notice of general meetings to be voted by poll. In this connection, the Company will put all resolutions to vote by poll commencing from the next AGM or EGM of the Company.

Communication and engagement with shareholders

The Board recognises the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them. The various channels are through the quarterly announcements on financial results to Bursa Malaysia, relevant announcements and circulars, when necessary, the Annual and Extraordinary General Meetings and through the Group's website where shareholders can access pertinent information concerning the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Group's financial statements have been drawn up in accordance with the applicable approved accounting standards in Malaysia and the Companies Act, 1965. The financial statements give a true and fair view of the state of the affairs of the Group at the end of the financial year, and of the profit and cash flows for the financial year.

In preparing the financial statements, the Directors are also responsible for:

- the adoption of suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- ensuring that all applicable financial reporting standards have been followed; and
- preparing financial statements on a going concern basis as the Directors have reasonable expectations, having made enquiries that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility of ensuring that the Company maintains adequate accounting records and sufficient internal controls to safeguard the assets and to prevent and detect fraud or other irregularities in the Group.

This Statement has been approved by the Board dated 28 February 2017.