

STATEMENT ON CORPORATE GOVERNANCE

This statement on corporate governance outlines the corporate governance framework that the Company has established for the reporting financial year ended 31 December 2016. The Board recognises the importance of corporate governance and is committed to make it an essential part of management of the business and affairs of the Company and the communities in which the Company operates. The Board believes that good corporate governance will promote the Company's long-term sustainability and ongoing success of its business. The corporate governance practices adopted during the year took into account the principles and recommendations of the Malaysian Code on Corporate Governance 2012 ("the Code") including compliance with the corporate governance requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The following corporate governance statement, approved by the Board should be read in conjunction with the Company's Annual Report 2016 and the 2016 Sustainability Report.

BOARD OF DIRECTORS

The Board of Directors ("the Board") establishes the broad corporate policies and strategy for the Company (the "Company"). It provides direction to management, oversees executive management, monitors performance and ensures that an effective risk management is maintained with focus on ensuring long term success of the Company for its shareholders and stakeholders. The Board premises its governance of the Company on the core values of integrity, accountability and ownership, teamwork, customer focus, embrace change and innovation.

In its governance, the Board provides leadership and strategic direction, which involves working with management to set corporate values and to develop strategy including deciding which risks it is prepared to take in pursuing its strategic objectives for the Company within the framework of internal controls. The roles of the Chairman and Group Chief Executive Officer are not exercised by the same individual. The Board is headed and lead by the Chairman of the Board while the Executive Director/Group Chief Executive Officer as executive management, has a dual role to play as a member of the Board and as a leader of the management team with delegated responsibility from the Board for management of the Company and its respective operations.

There is a clear division of responsibility existing between the Chairman, who is non-executive, and the Executive Director/Group Chief Executive Officer. The Chairman's primary responsibility is leading the Board, ensuring it has a common purpose, effective and productive as a group and at individual director's level and that the Board upholds and promotes high standards of integrity, probity and governance. He is also responsible for the Board as the link in the chain of authority between shareholders and the Executive Director/Group Chief Executive Officer and that the shareholders' interests are safeguarded and there is effective communication with them, ensuring that members of the Board develop and maintain an understanding of the views of shareholders. The Executive Director/Group Chief Executive Officer has day-to-day management responsibility for the overall performance and operation of the Company. He provides leadership to the management team to enable the successful planning and execution of the objectives and strategies agreed and set by the Board. In executing his responsibilities, the Executive Director/Group Chief Executive Officer is supported by the senior management team and together, they are responsible for ensuring that high quality information is provided to the Board on the Company's financial and strategic performance.

The Board's responsibilities under its charter are summarised as follows –

- Adoption of strategic plans and giving strategic direction to the Company.
- Retaining full and effective control over the Company, appoints the executive director and/or group chief executive officer and ensuring planned succession of senior management.
- Monitoring management in implementing board plans and strategies.
- Monitoring operational performance of the Company.
- Ensuring preparation and integrity of the annual financial statements and all related information.
- Determining of policies and processes to ensure the integrity of the Company's risk management and internal control procedures.
- Implementing proper systems of internal control which are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements
- Assessing the Board's composition to consider whether its size, diversity and demographics make it effective.

- Director selection, orientation and evaluation.
- Defining and monitoring information needs of the Board.
- Ensuring the Board is supported by a suitably qualified and competent company secretary.
- Delegating any of its responsibilities to committees of the Board.

The Board periodically reviews its charter, updates and make amendments where necessary and appropriate. The charter is available for viewing on the Company's website. To sustain good governance, the Board has in place a whistleblowing policy and a code of ethics and conduct. The Company's Code of Ethics and Conduct ("Ethics Code") applies to all Directors, management and staff of the Company. The Whistleblowing Policy complements the Ethics Code, both of which are available on the Company's website.

The composition of the Board includes the Chairman as a non-executive director, an executive director and three independent directors. The number of independent directors on the Board makes up more than the required one-third of board membership to be independent. The majority of the members of the Board are independent directors. The Company is a 74.28% owned subsidiary of HL Cement (Malaysia) Sdn Bhd which is indirectly wholly-owned by Hong Leong Asia Ltd. As a member of the Hong Leong Asia Ltd Group, the Board operates with a balanced mix of non-executive, executive and independent directors representing the interest of the significant shareholder. Being a nominee director of the holding company, the Chairman is non-independent and non-executive.

The Board considers all of its independent directors as independent in that they are free from any business or other relationships which could materially interfere with or appear to affect the exercise of their judgement and have not previously been involved or served in the management of the Company and/ or its Group within the prescribed period under the criteria for independent directors. The requirement of independence of the Company's independent directors satisfies the independence criteria and other applicable requirements prescribed by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board has adopted such criteria for assessment of its independent directors. All non-executive directors in office during the year are considered independent, save for the Chairman of the Board. Directors are required to advise the Board on an ongoing basis of any interest they may have

that they believe could conflict with the Company's interests. If a potential conflict does arise, the director concerned abstains and does not take part in the discussions while the matter is being considered. As at the date of the Annual Report, all the independent directors have served the Company for less than nine years. Under the Company's constitution, all directors are required to retire by rotation once every three years and to submit themselves for re-election at annual general meetings. The directors to retire in each year are the directors who have been the longest in office since their appointment, last election or re-election as the case may be. The Board in carrying out its roles and responsibilities is supported by a competent company secretary who is legally qualified, both as a chartered secretary and in law with many years of experience in a listed environment.

Newly appointed directors are required to undergo the Mandatory Accreditation Programme as prescribed and conducted by Bursa Malaysia Securities Berhad. On joining the Board, the directors will receive an induction or orientation covering the Company's businesses, given plant tours and on-site briefings and updated on such matters on a continuing basis. The Directors are encouraged to attend appropriate training programmes, seminars, forums or talks or any other courses which they feel relevant as part of their professional development to enable them to develop and maintain their skills and knowledge at the Company's cost. The independent and non-executive directors are encouraged to visit the Company's plants, sites and operations periodically to keep abreast of the Company's businesses. The Company Secretary ensures that the Directors are kept informed and updated on changes in relevant regulations or law, as circumstances require and informs the directors of seminars, training programmes, forums, talks and others for their participation and attendance.

During the year, the Directors have attended the following training:-

Kwek Leng Peck	"The Global Business Cycle – The Interaction between Developed and Emerging Economies" by The Directors of Acru Asset Management Limited, Singapore.
Ting Sii Tien	"Sustainability Reporting Guidelines" by Ernst & Young LLP Singapore. "Directors' Continual Training - Sustainability Forum for Hong Leong Group" In-house training by Hong Leong Management Services Pte. Ltd.

	“ICAEW Technical Session - The Global Goals for Sustainable Development” by The Institute of Chartered Accountants in England and Wales (ICAEW).
Dato’ Chong Pah Aung	“Sustainability Reporting Guidelines” by Ernst & Young LLP Singapore. “Starproperty.my Forum” by Star Media Group, Malaysia. “Relooking at Sustainable Development” – the SUSDEX Conference by the Royal Institution of Chartered Surveyors. “The RISM (PMVS) Mid-term Gathering 2016” by the Royal Institution of Chartered Surveyors.
Lim Eng Khoon	“Directors’ Briefing – Managing Cyber Risks in the Digital Age” by Australian Institute of Company Directors.
Tan Sri Ir (Dr) Mohamed Al Amin bin Abdul Majid	“SME for Initial Public Offering Seminar 2016 – Stairways to Listing”. “Share Buy-Back Regulatory Perspective” (In-house training). “Key Disclosure Obligations of a Listed Company” (In-house training).

BOARD COMMITTEES

The Board has delegated certain responsibilities to committees which operate in accordance with the terms of reference approved by the Board. The Board has two committees – the Board Audit and Risk Management Committee (“BARC”) and the Remuneration and Nomination Committee (“RNC”). The Committees assist the Board in carrying out its responsibilities. Each of the Committees has its own terms of reference set by the Board and these terms of reference are reviewed and updated periodically to ensure practicality and alignment to any change internally and in the regulatory framework. The BARC consist of three members, all of whom are independent directors, and the chairman is a member of the Institute of Chartered Accountants in Australia. The BARC ensures, among others, the reliability of financial

statements issued by the Company and that the financial statements comply with applicable financial reporting standards. The BARC's policies and procedures to assess the suitability and independence of the Company's external auditors have been formalised and adopted by the Board. The activities of the BARC during the 2016 financial year are summarised and set out in its Report on pages 12 to 14 of the Annual Report. The BARC maintains an appropriate formal and transparent relationship with the Company's external auditors. Key features underlying the relationship are included in BARC's terms of reference. The BARC has met with the external auditors twice during the 2016 financial year without the presence of executive management.

The RNC comprises three non-executive directors, a majority of whom are independent directors. The RNC, among others primarily takes on the role of evaluating and recommending to the Board candidates for directorship, periodically review and recommend to the Board its required mix of skills and experience and other qualities or diversity, develop, maintain and review the criteria to be used in the assessment of directors.

The RNC met twice during the 2016 financial year to evaluate and review management's recommendation for adjustments to the remuneration of non-unionised employees, review the performance of the Executive Director/Group Chief Executive Officer and his remuneration, and that of senior management for endorsement by the Board. Directors and Board evaluation were also conducted by the Committee. In addition, the RNC reviewed and assessed the mix of skills and diversity of the Board and the individual directors against a set of criteria approved by the Board and found the present composition sufficient and adequate to meet the needs of the Company. Directors are selected to achieve a broad range of skills, experience and expertise complementary to the Company's business activities. Before the Board appoints a new director, appropriate background checks are undertaken. Potential candidates are assessed against the required skills and their qualifications, backgrounds and personal qualities. In addition, the candidates must have the required time to commit to the position. The Committee also reviewed the term of office and performance of each of the members of the Board Audit and Risk Management Committee ("BARC") and found that each member and the BARC have carried out their duties outlined in its terms of reference. The Board has in place a remuneration policy for directors to ensure that the remuneration is appropriately prudent and commercially sensible. The remuneration is periodically reviewed against the industry in which the Company operates taking into account the appropriateness of the form and amount of remuneration with

a view towards attracting and retaining qualified directors. The policy and procedures for remuneration are further governed by the Company's constitution. Determination of such remuneration of non-executive directors is a matter for the Board as a whole with the member of the Board concerned abstaining from deliberations and voting in respect of his own remuneration. The aggregate remuneration of directors for the 2016 financial year is disclosed on page 74 of the audited financial statements in the Annual Report.

The Board has in place a policy and procedure for the Board when proposing, nominating, admitting or assessing any independent director or when any new interest or relationship develops. In assessing independence of its existing independent directors and/or new candidates for independent directorship on the Board, the Board will consider all relevant facts and circumstances in making an independence determination. It will focus beyond the independent director's background, expertise, economic and family relationships and considers whether the independent director can continue to bring independent and objective judgment to board deliberations. The Committee has evaluated, reviewed and assessed the current mix and number of independent directors taking into account that the Company is indirectly a 74.28% owned subsidiary of Hong Leong Asia Ltd and the relevance to the Company's core business of cement manufacturing. The Chairman, been a non-executive non independent chairman represents the interest of the holding company which is a significant and major shareholder of the Company. The Board's diversity policy which recognises and embraces the benefits of diversity on the Board as a diverse Board, will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of the members of the Board. These differences will be considered and reviewed in determining the optimum composition of the Board and when possible to be balanced appropriately. The Board takes cognisance of the importance of boardroom diversity but is of the view that selection and appointment of members of the Board will be based on qualifications, skills, industry experience, knowledge and capabilities in areas identified by the Board, and such criteria should remain a priority so as not to compromise on qualification, skills, experience, knowledge and capabilities. This is to ensure diversity is aligned with the Company's business and talent objectives. Currently, the Board is satisfied with its composition in terms of numbers, qualification, skills, experience, knowledge and capabilities, diversity, ethnicity mix and age. The composition of the Board and each member's respective profiles is on pages 4 to 5 of the Annual Report.

MEETINGS

The meetings of the BARC are held four times a year and additional meetings will be held at other times as the BARC may determine is appropriate. The RNC meets at least once a year and additional meetings to be held at other times as the RNC may determine is appropriate. During the 2016 financial year, the Board and BARC held four meetings as scheduled, and the RNC met twice. A structured schedule of matters reserved for consideration and decision of the Board has been established in the agenda for the meetings. To the extent practicable, the members of the Board are provided with appropriate information and materials in advance for each meeting to permit prior review by the members of the Board. All members of the Board have access to information and materials of the Company and to the advice and services of the Company Secretary for any further information that they may require and, if need be, the Board can obtain independent professional or other advice from external resources at the cost of the Company. The attendance of the meetings by each member of the Board is listed on the Directors' Profile on pages 4 to 5 of the Annual Report.

RISK MANAGEMENT AND CONTROL

The Board is responsible for the Company's system of risk management and internal control, which is designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board periodically reviews the Company's system of internal control, its adequacy and integrity. It has in place an enterprise wide risk framework for such risk management and control and has delegated the responsibility for the monitoring of the effectiveness of this system to the BARC. The Company's internal audit department assist the BARC and the Board in facilitating the process of identification and assessment of key risks and controls and management's plans to mitigate or eliminate the significant risks identified. The Company's internal audit department is headed by a qualified chief internal auditor who reports directly to the BARC. The BARC is delegated with the task of reviewing such risks at every meeting of the BARC and to report to the Board accordingly. Where weaknesses are identified, the BARC ensures that management takes appropriate action to eliminate or mitigate such weaknesses. An enterprise risk management committee chaired by the Executive Director/Group Chief

Executive Officer meets monthly together with the chief internal auditor and relevant management personnel to conduct, review, mitigate or eliminate and update the significant risks of the Company. The Statement on Risk Management and Internal Control, set out on pages 15 to 18 of the Annual Report, provides an overview of the Company's state of risk management and internal control.

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The Board is responsible and required by law to prepare annual financial statements that gives a true and fair view of the financial position of the Company as at the end of each financial year and of their financial performance and cash flows for the year then ended. It is also responsible for ensuring proper accounting records are kept, which disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the relevant laws and regulations. The Board is further responsible for taking reasonable steps to safeguard the assets of the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MATERIAL CONTRACTS

The Company has not entered into any contract which is or may be material involving the interests of the directors, its chief officers who are not directors or major shareholders during the 2016 financial year.

SHAREHOLDER COMMUNICATION

The Board recognises the importance of communication with shareholders of the Company. Shareholders play an essential part in corporate governance and the Board ensures that shareholders are kept informed and notified of the Company's disclosures through releases to Bursa Malaysia. The Board practices timely disclosure of material information to shareholders of the Company. The Board is supported by a qualified and competent company secretary in ensuring such disclosures are done accurately and timely in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Board further ensures that shareholders are kept fully informed through information provided on the Company's website at www.tasekcement.com. All the Company's announcements are posted on its website

through links to Bursa Malaysia, including corporate information, quarterly reports, annual reports and other relevant information. The Board and management take into cognisance disclosure guides issued and advocated by Bursa Malaysia Securities Berhad to assist listed issuers to elevate their standards of disclosure. Where applicable and appropriate to the Company's circumstances, the Board and management will take into account the guidance in such disclosure guides.

The Board advocates attendance and participation of shareholders at the Company's annual general meetings. The meetings are held at a venue with access to public transportation and parking. The Board considers the annual general meeting as an open forum for the Board and shareholders to meet and communicate with each other. This presents an opportunity for shareholders to ask questions or seek clarification on the performance of the Company. The external auditor attends these annual general meetings and is available to answer questions on the Company's financial statements. If shareholders are not able to attend the annual general meeting, they may appoint proxies to attend in their stead. The notice of meeting is circulated to all shareholders at least 21 clear days before the meeting and shareholders are encouraged to attend the meeting. The Executive Director /Group Chief Executive Officer and senior management of the Company, where it deems it practicable to do so, will engage with its institutional shareholders based on mutual understanding of objectives and entertains visits from such institutional shareholders or other fund managers representing shareholders. The Chairman of the Board will announce to shareholders before the start of all general meetings of their right to demand a poll vote in accordance with the Company's constitution. All resolutions tabled at general meetings will be voted by poll and announcement will be made of the detailed results showing the number of votes cast for and against each resolution.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

The Company recognises that economic, environmental and social issues are important to the sustainability of its businesses over the longer term. Further information on such issues are found in the 2016 Sustainability Report on pages 25 to 35 of the Annual Report. The Board is committed to the Company's long term sustainability as part of its corporate responsibility and strategy. It strives to conduct the Company's activities in a safe and environmentally responsible and sustainable manner. Being responsible and sustainable also mean reinforcing the Company's commitment to the surrounding environment in which it operates and to be

mindful of the impact of the Company's activities on the environment, society and economy. The Company maintains various ISO certifications in environmental management system, occupational health and safety management system, testing and calibration laboratories system and manufacturing of cement management system. As part of sustainable development, the Company has an ongoing programme to source and utilise waste products for use as alternative fuel or as raw material for its manufacturing process and examine ways to continually improve processes to reduce its environmental footprint. It is committed to employee safety and has various monitoring and workplace safety measures to measure such performance. There are company-wide ongoing training programmes in place to train and maintain staff competencies, safety, health and environment. The Company recognises diversity in its workplace as an essential measure for the sustainable growth and development of the Company, and it not only includes gender, but also age and ethnicity. However, the Company's recruitment and selection of employees will be based on qualifications, skills, experience, knowledge and capabilities in areas identified and required by the Company, and such criteria should remain a priority so as not to compromise on qualification, skills, experience, knowledge and capabilities. At the end of the 2016 financial year, the gender, ethnicity and age mix of the Company's employees were as follows:-

Ethnicity			
Malay	Chinese	Indian	Others
52.94%	21.85%	24.16%	1.05%

Gender	
Male	Female
90.97%	9.03%

Age				
Below 20	21 – 30	31 – 40	41 – 50	Above 50
2.10%	22.06%	27.52%	27.52%	20.80%

In the marketplace, the Company continues its research and development to achieve green label certification such as its fly ash cement under the brand name of "*Green Buaya*" which has obtained green label certification from Singapore. Obtaining customers' feedback through

surveys and dialogues are also important for the Company's sustainability in terms of its cement products.

The Company has in place various programmes in pursuit of its social responsibility to its communities as a responsible corporate citizen. It believes in contributing its resources to promote positive interaction with members of the surrounding community. Of significance is the Bursary Programme in its fifth year running, which focuses on deserving students in selected primary schools by providing bursaries to them to ease the financial burden of the parents so that their children will continue to concentrate and do well in their studies. The Company's continuing undergraduate scholarship programme provides financial aid to qualified students enrolled in undergraduate engineering courses as part of the Company's succession plan to sustain a steady pool of engineers for the future. The sponsoring of a third dialysis machine to Yayasan Dialysis Pendidikan Akhlak Perak during the year and the Company's third year sponsorship of the school hockey team of Sekolah Menengah Anderson (Anderson Secondary School) in Ipoh, Perak are part of the Company's approach to widen its community investment and sustainability. The Board is continuously seeking to manage the Company's businesses to produce an overall positive impact on its customers, employees, shareholders, the wider community and other stakeholders.

(End)