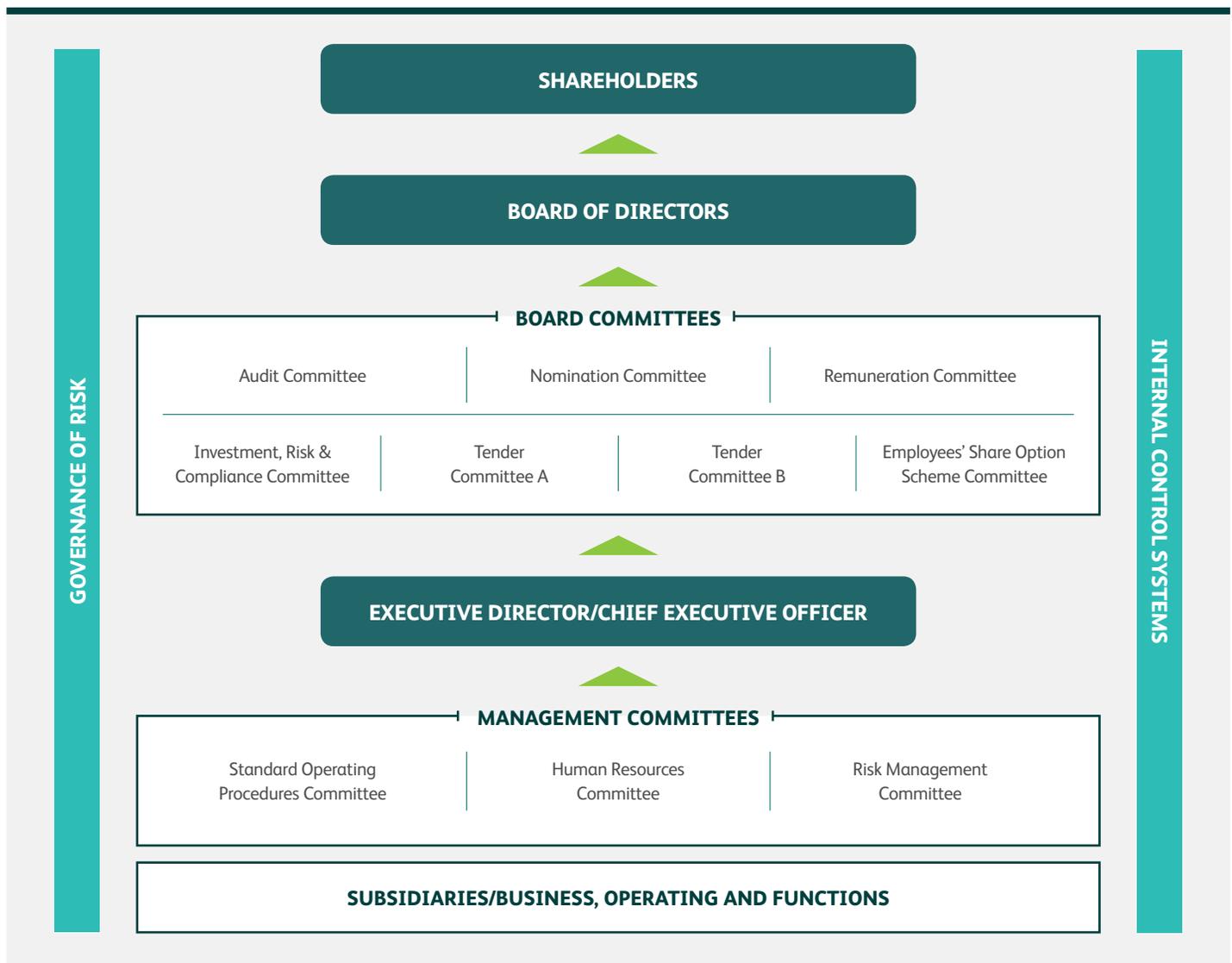


Statement on Corporate Governance

Good corporate governance creates lasting value. We apply the highest standards to our operations and activities, guided by the recommendations of the Malaysian Corporate Governance Code 2012 (“MCCG 2012”), Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (“Listing Requirements”) and the adoption of the recommendations on Corporate Governance initiated by the Putrajaya Committee on GLC high performance as part of the GLC Transformation Programme (“Green Book”). In addition, we are guided by the Corporate Governance Guide 2nd Edition (“CG Guide”), issued by Bursa Malaysia Securities Berhad.

Our governance framework stands for a form of responsible company management and control geared to long-term creation of value. One of our aims in this context is to secure the confidence of investors, clients, employees and the general public in our corporate activities. Efficient practices on the Management Committee and Board of Directors, good collaboration between these bodies and with the Group’s staff, and open and transparent corporate communications are equally as important.



HIGHLIGHTS OF OUR CORPORATE GOVERNANCE IN 2016

Reviewed and Strengthened
our Board Charter



Instituted Core and Initiative
by practicing e Poll Voting



Reviewed and Enhanced
our Code of Ethics

BOARD OF DIRECTORS

Our Board actively seeks to ensure it has an appropriate mix of diversity, skills, experience and expertise to enable it to discharge its responsibilities effectively and to be well equipped to help our company navigate the range of opportunities and challenges we face.

As at the date of this Statement, we have eleven (11) Directors on the Board, comprising six (6) Independent Non-Executive Directors, four (4) Non-Independent Non-Executive Directors, and an Executive Director. Details of the Directors, including their qualifications and experience, together with details of their length of service, can be found in the Board of Directors section of our 2016 Annual Report.

BOARD CHARTER

Our Board Charter has been serving as a guide for excellence in corporate governance. It embodies our governance practices, Board policies and guidelines and derives its practices from the principles and recommendations of MCCG 2012 and its predecessors as well as international standards on corporate governance. The Board Charter provides reference for the Directors in relation to the Board's role, powers, duties and functions. It outlines processes and procedures for the Board and its committees in discharging their stewardship effectively and efficiently.

Our Board Charter is reviewed annually and updated from time-to-time to maintain its relevance and accuracy to current rules and regulations.

ROLES AND RESPONSIBILITIES OF THE BOARD

Our Board is responsible for managing the Group's business and is accountable to shareholders in performing that role. Aside from the six (6) core responsibilities listed below, our Board also takes independent and collective responsibility and accountability for the smooth functioning of core processes involving Board governance, business value and ethical oversight. In discharging its roles and responsibilities, our Board is mindful of the need to safeguard the interests of all stakeholders. Dedicated Board Committees have been established with clear Terms of Reference, comprising Directors who have committed their time and effort as members to facilitate the effective discharge of these responsibilities. Board activities are structured to assist the Board in achieving its goal to support and advise executive management on the delivery of the Group's strategy within a transparent governance framework.

RESPONSIBILITY

1

Reviewing and adopting strategic plans for the Company, primarily the five (5) years rolling strategic plan for THP Group.

On an on-going basis, the Board assesses whether projects, acquisitions and disposals, as well as other strategic considerations proposed during Board meetings for the year in review, are in line with the objectives and broad outlines of the adopted strategic plans.

2

Overseeing the conduct of the Company's business to ensure that it is being properly managed. All operational matters are discussed during Board meetings, and expert advice or independent advice is sought where necessary.

The performance of various operating units within the THP Group makes up a major element in the Board's agenda. When and where available, data is compared against national trends as well as the performance of similar operating companies.

The THP Group uses Key Performance Indicators ("KPIs") as the primary driver and anchors them to its performance management system. They are continually refined and enhanced to reflect THP Group's changing business circumstances, where applicable.

3

Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.

The THP Group has set up a Risk Committee comprising senior members of the Management team to assist the Board in overseeing and monitoring this area.

4

Implementing succession planning, including the appointment and recruitment of Senior Management team members.

The Board's responsibility in this aspect is closely supported by the Human Resource Department. The Group places succession planning of high importance, and is an issue which has an on-going agenda and is periodically reviewed at various high-level management and operational meetings within the THP Group.

RESPONSIBILITY (CONTINUED)

5

Developing and implementing an investor relations policy or shareholders' communications policy for the Company.

The Board approved the Company's Investor Relations Policy ("IR Policy") on 9 August 2007. The IR Policy sets out to ensure that investors and shareholders are well-informed of THP Group's affairs and developments through selected spokespersons from the Senior Management, together with the Chairman and the Chief Executive Officer. These personnel are authorised to communicate with financial analysts, shareholders and investors regarding the industry overview and they act as points of reference for press interviews, investor analyst briefings as well as announcements of THP's yearly and quarterly results to the Bursa Securities Malaysia Berhad.

6

Reviewing the adequacy and integrity of the Company's internal controls and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines.

In fulfilling this responsibility, the Board's functions are supported and reinforced through the various committees established at both the Board and the management levels. They are aided by the Internal Audit Department, which provides a strong check and balance as well as reasonable assurance on the adequacy of the Company's internal controls system, through regular meetings and discussions.

Details of the Internal Audit functions are further detailed in the Audit Committee Report as set out on page 88 of this Annual Report.

At the same time, the Board also diligently sustains a dynamic and robust corporate climate, focused on strong ethical values.

To this end, active participation and structured dialogue involving key people at all levels are encouraged and conducted. Meanwhile, accessibility to information and transparency in all executive actions are consistently maintained. The corporate climate is also continuously fortified with value-centred programmes for team-building and active subscription to core values.

SEPARATION OF POWERS BETWEEN THE BOARD AND MANAGEMENT

The roles and responsibilities of the Board and Management are clearly delineated in the Board Charter. Although the respective principles, roles and responsibilities of the Chairman, Executive Director and Non-Executive Directors (“NEDs”) are segregated, it must be said that their functions are mutually co-dependent, thus ensuring efficient and effective execution of their duties and responsibilities.

Delineating these functions ensures the smooth running of the Company’s business and operations. The separation of power further ensures that no one individual or group can dominate the decision-making process, thus safeguarding the equilibrium of power in the Company. The separation of power accords a balance and authority in the Board and is adhered to, in line with best governance practice. Appropriate supervision and increased accountability of the Company’s management are the result of the adoption of this framework.

THE ROLE OF THE CHAIRMAN

The Chairman’s overarching responsibilities are to provide appropriate leadership to the Board and the Group and to ensure the Board fulfils its obligations under its Charter. The Chairman’s responsibilities are set out in more detail in the Board Charter.

THE ROLE OF EXECUTIVE DIRECTOR (“ED”)

As ED, the Chief Executive Officer (“CEO”) is in command of his own respective functions. His primary function is to ensure the smooth running of the Company’s day-to-day operations, while his primary areas of responsibilities are captured in his respective KPIs which are evaluated annually, reviewed and approved by the Board.

The CEO is supported by several management committees for their operational and management duties. These forums provide the Senior Management team, including the heads of various divisions and departments, the platform to interact directly with each other, discuss, provide their views and review the objectives, strategies and operations of the Company on a regular basis. The CEO is responsible for the implementation of broad policies approved by the Board and is required to report and discuss at Board meetings all material issues currently or potentially affecting the Group and its performance, including strategic directions, projects and regulatory developments.

THE SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director of the Board acts as a sounding board for the Chairman and a trusted intermediary for other Directors. He is available to discuss with shareholders any concerns that cannot be resolved through the normal channels of communication with the Chairman or the Executive Director. The Senior Independent Director of the Company is Dato’ Shari bin Haji Osman.

LIMITS OF AUTHORITY

The Board’s approving authority is delegated to the Management through formal and defined operational authority limits that govern business procedures and decision making process in the Group. The operational authority limits incorporate segregation of duties and check and balance in the delegation of authority.

In ensuring that the decision making process is transparent and to the best interest of the Group, all directors and staff including the CEO are required to declare their interests in other entities on an annual basis. In addition, they are also required to disclose to the Group, any circumstance that may give rise to a conflict of interest situation during the course of carrying out their duties.

BOARD COMPOSITION AND BALANCE

Our Company's Constitution limit the number of our Board members to not more than twelve (12). As at the date of this Statement, there are eleven (11) members of the Board, comprising six (6) Independent Non-Executive Directors ("INEDs"), four (4) Non-Independent Non-Executive Directors ("NINEDs") and one (1) Executive Director/Chief Executive Officer. This composition is in compliance with the Listing Requirements, which require one-third (1/3) of the members of the Board to be independent.

Taking into consideration the Company's present activities and size, the Board is of the view that the number and composition of the current Board are sufficient and well-balanced to ensure that its duties are carried out effectively and to provide assurance that no individual or small groups of individuals are allowed to dominate the Board's decision-making.

The profiles of each member of the Board are outlined on pages 28 to 38 of this Annual Report.

The Composition of the Board for the year under review are as follows:



BOARD DIVERSITY

The Board understands the efficacies of having in place a Board Diversity Policy. Although there exists measures which ensure an appropriate mix of skills, experience, knowledge and gender, the Board will take steps to formalise a policy which goes towards meeting these requirements, in addition to reaching for the Nation's ambitions of having 30% of Board members being female.

INDEPENDENCE

Our Board recognises the important contribution that Independent Directors make to good corporate governance. All Directors, whether independent or not, are required to act in the best interests of the Group and to exercise unfettered and independent judgment. We determine the independence of our Directors in accordance with stipulations in paragraph 1.01 of the Listing Requirements. To date, all six (6) INEDs satisfy the following independent criteria:

- a. independent from Management and free from any business or other relationship which could interfere with independent judgement or the ability to act in the best interests of the Company.
- b. not involved in the day-to-day operations of the Company other than when collective Board approval is required. This mitigates the risk of undue influence from third parties and allows INEDs to exercise fair judgement.
- c. declare their interest or any possible conflict on any matter tabled prior to the commencement of Board meetings. Directors are able to ascertain their involvement in any proposal as the papers are disseminated to them five (5) days before each meeting. In the case of conflict of interest, Directors are required to recuse themselves and abstain from deliberation to allow unbiased and free discussion and decision making. This also holds true for NINEDs.

MCCG 2012's recommendation to limit an Independent Director's cumulative tenure to nine (9) years is irrelevant at present as all current directors have a cumulative tenure of less than nine (9) years.

FOSTERING COMMITMENT OF THE BOARD AND BOARD ATTENDANCE

Our Board is of the opinion that the provisions in the Companies Act 2016 and the Listing Requirements are sufficient to ensure adequate commitment by the Directors to perform their duties; and that each Director is able to commit sufficient time to the Company without it being formally regulated.

This is evidenced by the attendance of Directors and time spent at Board and Committee meetings. A high level of flexibility has been demonstrated with Board members being able to accommodate the Company according to its needs.

A total of eight (8) board meetings were held in 2016 and all Directors have complied with the minimum fifty per centum (50%) attendance as required under Paragraph 15.05(3) of the Listing Requirements.

Board meetings for the ensuing financial year are scheduled before the end of the current financial year to facilitate the planning of Board meetings by the Directors. Special Board Meetings are convened between the scheduled meetings to consider urgent proposals or matters that require urgent decisions or deliberation by the Board.

The Board is supplied with and assured of full and timely access to all relevant information to discharge its duties effectively. A set of Board papers is provided to each Board member in advance, at least five (5) days, prior to every Board meeting. The Board papers contain, among other things, information on THP Group's performance and major operational, financial and corporate issues.

All Board decisions are properly minuted. Minutes of each Board meeting are circulated to all Directors for their review prior to their confirmation, which is normally done at the following Board meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation as being a correct record of the Board's proceedings. All conclusions of the Board meetings are duly recorded and the minutes are kept by the Company Secretary.

The Senior Management are also invited to attend the Board meetings to supply additional details or clarification on matters tabled for the Board's consideration and/or approval. Independent advisors and professionals appointed by the Company in relation to the various corporate exercises may also be invited to attend the meetings to provide explanation or clarification and advice for the benefit of the Directors.

The Chairman of the Audit Committee informs the Directors during Board meetings of any salient matters noted by the Audit Committee arising from audit findings that may require the Board's attention or direction.

In addition to matters relating to the Board's six (6) principal stewardship responsibilities, other specific topics tabled for the Board's deliberation include THP Group's key financial and operational results, THP Group's strategic and corporate initiatives, such as corporate plans and budget approvals, proposed acquisitions and disposals of material assets, major investments, as well as changes to THP Group's management and control structures, encompassing key policies, procedures and authority limits.

Apart from the scheduled meetings, on separate occasions the Board of Directors also make visits to the Company's estates and mills to better assess the Company's operational progress, status of development and any important issues requiring their attention.

The Directors' attendance at Board meetings for the financial year ended 31 December 2016 are detailed below:

Directors		Number of Meetings Attended	Percentage
Tan Sri Dato' Sri Ab. Aziz bin Kasim Chairman, Independent Non-Executive Director	● ● ● ● ● ● ○	7/8	87.5
Tan Sri Dato' Sri Ismee bin Haji Ismail Deputy Chairman, Non-Independent Non-Executive Director	● ● ● ● ● ● ○	7/8	87.5
Datuk Seri Johan bin Abdullah Non-Independent Non-Executive Director	● ● ● ● ● ● ● ●	8/8	100
Tan Sri Othman bin Mahmood Non-Independent Non-Executive Director	● ● ● ● ● ● ○ ○	6/8	75
Dato' Sri Mohamad Norza bin Zakaria Independent Non-Executive Director	● ● ● ● ● ● ○ ○	6/8	75
Datuk Seri Nurmala binti Abd Rahim Independent Non-Executive Director	● ● ● ● ● ● ● ●	8/8	100
Dato' Azizan bin Abd Rahman Non-Independent Non-Executive Director	● ● ● ● ● ● ● ●	8/8	100
Dato' Amran bin Mat Nor Independent Non-Executive Director	● ● ● ● ● ● ○	7/8	87.5
Dato' Shari bin Haji Osman Independent Non-Executive Director	● ● ● ● ● ● ● ●	8/8	100
Dato' Dr. Md Yusop bin Omar Independent Non-Executive Director	● ● ● ● ● ● ○	7/8	87.5
Dato' Sri Zainal Azwar bin Zainal Aminuddin Chief Executive Officer/Executive Director	● ● ● ● ● ● ● ●	8/8	100
Dato' Noordin bin Md Nor Independent Non-Executive Director (Cease of Office w.e.f. 1 November 2016)	● ● ● ● ● ○ ○ ○	5/8	62.5

Re-election/Re-Appointment of Directors

The re-election of Directors ensures that shareholders have a regular opportunity to re-assess the composition and the efficacy of the Board.

In accordance with the Company's Constitution, at least one third (1/3) of the Directors shall retire from office every year provided always that all Directors shall retire from office at least once in every three (3) years and shall be eligible for re-election in the Annual General Meeting ("AGM").

At this forthcoming AGM, Dato' Azizan bin Abd Rahman, Dato' Sri Zainal Azwar bin Zainal Aminuddin and Dato' Amran bin Mat Nor are subject to retirement by rotation under the Company's Constitution, and being eligible, have offered themselves for re-election.

However, Dato' Sri Mohamad Norza bin Zakaria has express his intention not to seek re-election at this forthcoming AGM. Hence, he will retire as an Independent Non-Executive Director of the Company at the conclusion of this forthcoming AGM.

The Company's Constitution also provide that newly-appointed directors shall hold office until the next AGM and shall then be eligible for re-election. However, no new Director has been appointed during the year 2016.

BOARD INDUCTION

All newly-appointed Directors will undergo specific briefings on THP Group with the objective of providing an overview of the Company's vision and mission, nature of business current issues and the long-term target of the Group. In addition, visits to the Company's estates and mills are also conducted whenever necessary.

The Chairman is responsible for ensuring that each Director receives an induction on joining the Board and receives the training he or she requires, tailored to his/her specific requirements.

At the date of this Annual Report, all THP Directors have completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Malaysia.

Induction briefings and updates on the industry, as well as THP's aspirations, business targets and group performance, were organised for the newly appointed Directors.

Apart from the MAP, Directors also attended other relevant training programmes and seminars organised by the relevant regulatory authorities and professional bodies. Training needs for the Directors continue to be evaluated to identify how best to aid the Directors in discharging their duties.

For the financial year ended 31 December 2016, the Directors attended conferences, seminars and training programmes, including those listed below:

Programme Title
Palm Oil Economic Review & Outlook Seminar 2016
Seminar on Economic Planning in Malaysia – Past, Present and Way Forward
Sustainability Engagement Series For Directors/CEO
Persidangan Pengarah Negeri & Taklimat Pelan Perniagaan TH
Advance Business Management Programme 2016 (Global Trends and Value Creation in a Technologically and Socially Transformed World)
Seminar Duta Integriti TH 2016
International Peat Congress 2016
Natsem – Factors Impacting the Competitiveness of the Palm Oil Industry
World Islamic Economic Forum Foundation
TH Media Training Programme
Scenario In Global Palm Oil Industry
Prospect and Challenges in Global Business
MIA International Accountants Conference 2016
In House Programme on the Updates on the Companies Act 2016

DIRECTOR'S REMUNERATION

Our remuneration policy ensures that the remuneration mix is market competitive and equitable. The aim of the remuneration policy and philosophy is to:

- Align with our strategic thrusts and value drivers,
- Attract and retain Directors of such calibre who are able to provide the necessary skills and experience, commensurating with the responsibilities for the effective management of THP Group, and
- Support the philosophy of value-based management.

The policy and framework for the overall remuneration of the ED and NEDs are reviewed against market practices by the RC, following which recommendations are submitted to the Board for approval.

The remuneration of the Executive Director includes salary and emoluments, bonus and benefits-in-kind. The ED is also eligible to participate in the Company's Employees Share Option Scheme ("THP ESOS") that came into effect on 8 May 2009.

In the case of NEDs, the remuneration structure reflects the level of responsibilities undertaken and contributions made by them. Currently, the NEDs are paid Directors' fees and attendance allowance for each Board/Committee meeting that they attend. In addition, the NEDs are entitled to certain benefits-in-kind such as, medical coverage in Malaysia and personal accident insurance coverage. The Chairman of the Board, who is a NED, is entitled to a company car. NEDs, however, do not participate in THP's ESOS.

Details of remuneration (including benefits-in-kind) of each Director for the year ended 31 December 2016 are as follows:

	RM'000						
	*Fees		Salary	Bonus	Other Emoluments	Benefit-in-kind	Total
	Company	Group					
Non-Executive Directors							
Tan Sri Dato' Sri Ab. Aziz bin Kasim	168	-	-	-	-	31	199
Tan Sri Dato' Sri Ismee bin Haji Ismail	132	-	-	-	-	36	168
Datuk Seri Johan bin Abdullah	84	-	-	-	-	-	84
Tan Sri Othman bin Mahmood	84	-	-	-	-	-	84
Dato' Sri Mohamad Norza bin Zakaria	108	16	-	-	-	-	124
Datuk Seri Nurmalia binti Abd Rahim	96	12	-	-	-	-	108
Dato' Azizan bin Abd Rahman	84	18	-	-	-	-	102
Dato' Amran bin Mat Nor	96	12	-	-	-	-	108
Dato' Shari bin Haji Osman	96	-	-	-	-	-	96
Dato' Dr. Md Yusop bin Omar	84	-	-	-	-	-	84
Dato' Noordin bin Md Noor (Cease of Office w.e.f. 1 November 2016)	80	-	-	-	-	-	80
Executive Director							
Dato' Sri Zainal Azwar bin Zainal Aminuddin	84	153	1,002	180	195	7	1,621
Total	1,196	211	1,002	180	195	74	2,858

Note: *Fees include those disbursed for being a member of Board Committees.

Number of Directors whose remuneration falls within the following bands:

	Number of Directors	
	Executive Director	Non-Executive Director
RM50,001 to RM100,000	-	5
RM100,001 to RM150,000	-	4
RM150,001 to RM200,000	-	2
RM1,600,000 to RM1,650,000	1	-

Board Committees

To assist the Board in discharging its duties effectively whilst enhancing business and operational efficacy, the Board establishes several Board Committees, namely Audit Committee, Nomination Committee, Remuneration Committee, Investment, Risk & Compliance Committee, Tender Committee A, Tender Committee B and Employees' Share Option Scheme Committee.

Aside from the Board Committees, Management Committees have also been established by the Management to facilitate the functions of the Board. These include the Standard Operating Procedures Committee, Human Resource Committee and Risk Management Committee.

Details of the main Board Committee Attendance for the financial year ended 31 December 2016 are as follows:

	Nomination Committee		Remuneration Committee		Investment, Risk & Compliance Committee		Tender Committee A	
	Attended	%	Attended	%	Attended	%	Attended	%
Tan Sri Dato' Sri Ab. Aziz bin Kasim	na	na	1/1	100	na	na	na	na
Tan Sri Dato' Sri Ismee bin Haji Ismail	na	na	1/1	100	1/1	100	2/3	66.6
Datuk Seri Johan bin Abdullah	na	na	na	na	na	na	na	na
Tan Sri Othman bin Mahmood	na	na	na	na	na	na	na	na
Dato' Sri Mohamad Norza bin Zakaria	1/1	100	na	na	1/1	100	na	na
Datuk Seri Nurmala binti Abd Rahim	1/1	100	na	na	na	na	3/3	100
Dato' Azizan bin Abd Rahman	1/1	100	na	na	1/1	100	na	na
Dato' Amran bin Mat Nor	na	na	na	na	na	na	na	na
Dato' Shari bin Haji Osman	na	na	1/1	100	1/1	100	3/3	100
Dato' Dr. Md Yusop bin Omar	na	na	na	na	na	na	na	na
Dato' Sri Zainal Azwar bin Zainal Aminuddin	na	na	na	na	na	na	na	na
Dato' Noordin bin Md Noor (Cease of Office w.e.f. 1 November 2016)	na	na	na	na	na	na	na	na

NOMINATION COMMITTEE REPORT



Dato' Azizan bin Abd Rahman
Non-Independent Non-Executive Director

Chairman

Committee Composition

The Nomination Committee shall consist of at least three (3) members and shall be appointed by the Board from among the Directors of the Company, comprising exclusively of Non-Executive Directors, a majority of whom are independent.

The Nomination Committee shall meet at least once a year or at any other time deemed necessary by the Chairman of the Committee. The quorum for a meeting of the Committee is two (2) members.

The members of the NC are as follows:

- i. **Dato' Azizan bin Abd Rahman**
Chairman, Non-Independent Non-Executive Director
- ii. **Dato' Sri Mohamad Norza bin Zakaria**
Member, Independent Non-Executive Director
- iii. **Datuk Seri Nurmala binti Abd Rahim**
Member, Independent Non-Executive Director

Roles and Responsibilities

- To regularly review the Board's structure, size and composition and make recommendations to the Board on any adjustments deemed necessary;
- To identify and propose to the Board suitable candidates as Directors of the Company;
- To assess the performance of the Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of individual Directors, including Independent Non-Executive Directors as well as the Chief Executive Officer, and to identify areas for improvement;
- To consider and recommend to the Board, candidates to fill directorship vacancies in the Company and THP Group;
- To evaluate and recommend to the Board, Directors to fill seats in the Board Committees;
- To consider, in making its recommendations, candidates proposed by the Chief Executive Officer for directorship and within the bounds of practicability, by any other senior executives or any Director or shareholder;
- To recommend to the Board, the continuation of service of the Executive Director(s) and Director(s) who are due for retirement by rotation;
- To review on an annual basis, the Board's mix of skills, experience and other qualities including core competencies;
- To orientate and educate new directors on the nature of the business, current issues within the Company, corporate strategies, expectations of the Company concerning inputs from directors and their general responsibilities;
- Such other functions as may be delegated by the Board from time-to-time; and
- To review and recommend promotions, extension of contracts, creation of new posts and all other human resource related matters in relation to key Management personnel of the Company and its Group i.e. the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, Head of Human Resource and Head of Marketing.

Work Done in 2016

The key matters reviewed, considered and recommended to the Board included the assessment and the service of the Directors who were seeking for re-election at the forthcoming AGM.

REMUNERATION COMMITTEE REPORT



Tan Sri Dato' Sri Ab. Aziz bin Kasim
Independent Non-Executive Director

Chairman

Committee Composition

The Remuneration Committee shall consist of at least three (3) members and shall be appointed by the Board from among the Directors of the Company, comprising wholly or mainly Non-Executive Directors.

The Remuneration Committee shall meet at least once a year or at any other time deemed necessary by the Chairman of the Committee. The quorum for a meeting of the Committee is two (2) members.

The members of the RC are as follows:

- i. **Tan Sri Dato' Sri Ab. Aziz bin Kasim**
Chairman, Independent Non-Executive Director
- ii. **Tan Sri Dato' Sri Ismee bin Haji Ismail**
Member, Non-Independent Non-Executive Director
- iii. **Dato' Shari bin Haji Osman**
Member, Independent Non-Executive Director

Roles and Responsibilities

- To recommend to the Board the remuneration framework for Executive Directors as well as the remuneration package for each Executive Director (if applicable), based on the Company's Scheme of Service;
- To recommend to the Board the allowance and benefits of Non-Executive Directors;
- To recommend to the Board the seating allowance of Directors and Committee members;
- To recommend to the Board any review on the Company's Scheme of Service whenever deemed necessary and appropriate; and
- To recommend to the Board the remuneration framework and the remuneration package, allowances, bonus, etc. for Senior Management personnel based on the Company's Scheme of Service.

The structure and procedures of the Remuneration Committee are as follows:

- The remuneration of Directors shall be the ultimate responsibility of the Board after considering the recommendations made by the Committee.
- The Executive Director does not participate in discussions pertaining to his own remuneration.
- The determination of remuneration packages of Non-Executive Directors, including the Non-Executive Chairman shall be a matter to be considered by the Board unanimously.
- The level of remuneration should be sufficient to attract and retain the Directors needed to steer the Company successfully. In the case of Executive Directors, the components of the remuneration should be structured so as to link rewards to corporate and individual performance. The level of remuneration should reflect the experience and responsibilities undertaken by the Non-Executive Directors concerned.

INVESTMENT, RISK AND COMPLIANCE COMMITTEE REPORT



Dato' Azizan bin Abd Rahman
Non-Independent Non-Executive Director

Chairman

Committee Composition

The Investment, Risk & Compliance Committee shall consist of not less than three (3) members, comprising exclusively of Non-Executive Directors. Their term of office will be for a duration of two (2) years or as decided by the Board.

The Committee will meet as required to review all activities and progress of the recommendations and shall provide a briefing at each Board meeting. The quorum for the Committee shall be at least two (2) members.

The members of the Investment, Risk & Compliance Committee are as follows:

- i. **Dato' Azizan bin Abd Rahman**
Chairman, Non-Independent Non-Executive Director
- ii. **Tan Sri Dato' Sri Ismee bin Haji Ismail**
*Member, Non-Independent Non-Executive Director
(Appointed w.e.f. 8 April 2016)*
- iii. **Dato' Sri Mohamad Norza bin Zakaria**
Member, Independent Non-Executive Director
- iv. **Dato' Shari bin Haji Osman**
Member, Independent Non-Executive Director

Roles and Responsibilities

- To assist the Board of Directors on matters related to investments for the growth of the Company.
- To provide guidance for the Executive Director and his Management team to prepare and recommend a strategy for the business based on teamwork through the formal hierarchy of management.
- To consider proposals from line management regarding capital expenditure related to investments or disposals. The proposals will be placed on a shortlist based on considerations regarding financing through internally generated funds, or fundraising.
- To provide guidance on the strategy of the business related to growth as well as investments related to human capital.
- To provide guidance to line management that will include upgrading of practices including process improvements and the use of new technology. Proposals may include recommendations for diversifying the Company's business including those for any downstream activities.
- To ensure that all investment proposals are prepared by applying steps and processes to be specified by the Committee with timely presentations to the Board.

TENDER COMMITTEE A REPORT



Dato' Shari bin Haji Osman
Independent Non-Executive Director

Chairman

Committee Composition

Tender Committee A shall consist of at least three (3) members and shall be appointed by the Board from among the Directors of the Company, comprising exclusively of Non-Executive Directors, a majority of whom are independent. The Committee shall meet at least once a year or at any other time deemed necessary by the Chairman of the Committee.

The quorum for a meeting of the Committee shall consist of a majority of the committee members (excluding the Secretary) provided always that the Chairman and the Secretary of the meeting are present.

The members of Tender Committee A are as follows:

- i. **Dato' Shari bin Haji Osman**
Chairman, Independent Non-Executive Director
- ii. **Tan Sri Dato' Sri Ismee bin Haji Ismail**
Member, Non-Independent Non-Executive Director
- iii. **Datuk Seri Nurmala binti Abd Rahim**
Member, Independent Non-Executive Director

Roles and Responsibilities

- To record all tenders called, including the nature of the procurement contract, budget provisions, number of tenders received, value of successful tenders, name of successful tenderers and, in the event that the successful tender was not the lowest, reasons for selection;
- To ensure that the procurement process complies with the relevant procurement ethics, policies and requirements;
- To consider, evaluate and approve or recommend awards which are beneficial to THP Group, taking into consideration various price factors, usage of products and services, quantity, duration of service and other relevant factors; and
- To waive the requirement for the calling of formal tender for particular acquisitions, at the discretion of the Committee.

The actual decision on successful tenders shall be the responsibility of the Board and the Audit Committee, which will review any related party transactions and conflict of interest situations that may arise within THP Group. This includes any transactions, procedures or course of conduct that may raise questions on management integrity after considering the recommendations made by the Committee.

BOARD ACCESS TO INFORMATION

Access to Management

In an industry where the industry is ever evolving, it is imperative that the Board has easy access to Senior Management to seek clarification and understanding for efficient decision-making.

The Board has direct access to Senior Management with unrestricted and immediate access to information relating to the Group's business affairs. Relying on the integrity of the Company's Senior Management with access to expertise in business, legal, accounting, financial and other advisors, the Directors are able to discharge their duties effectively to arrive at informed decisions.

Relevant and material information is provided to the Board on average five (5) calendar days prior to meetings to afford the Directors sufficient time to assess the proposals or information. In 2016, an average of five (5) calendar days was recorded for distribution of Board papers save for Special Board Meetings for which a shorter time frame has been agreed with the Board.

Access to Management and Company Secretary

In carrying out their duties, each Director has unrestricted access to all information in the Company and independent access to Senior Management for information and clarification in furtherance of its duties. In addition, they are also able to seek advice from the Company Secretary and whenever necessary, independent professional advice, all at the expense of THP Group.

The Board is not only provided with quantitative information but also those which are qualitative in nature as they are pertinent and are of substantial necessity to enable the Board to deal with matters that are tabled at the meetings effectively. These include current updates of the THP Group's performance as well as information on external factors that may influence its business.

The Company Secretary is responsible to provide clear and professional advice to the Board on all governance matters and assist the Board on the implementation of an effective corporate governance system. Apart from advising the Board on governance and regulatory matters, the Company Secretary also organises and attends all Board meetings and ensures that all Directors receive timely, clear and concise information in advance prior to the scheduled meetings.

Access to External Experts

Other than the Group's internal resources, the Board and its Committees have at their disposal access to external information and expert advice by engaging independent external experts at the expense of the Company, if they deem it necessary in ensuring performance of their duties.

Shareholders and Investors

The Board acknowledges the importance of an effective communication channel between itself and stakeholders, institutional investors and the investing public at large to provide a clear picture of the Group's performance and position. THP is committed to maintaining high standards in the dissemination of relevant and material information on the Group in order to maintain effective, comprehensive, timely and continuing disclosure of information.

The Board has an established Internal Communication Policy to facilitate the handling and disclosure of material information in a timely and accurate manner. The Policy, based on openness and transparency, two-way communication, accountability, timeliness, accuracy and simplicity, ensures compliance with the disclosure requirements of the Listing Requirements and other relevant laws. The Company has also adopted the Corporate Disclosure Guidelines (2nd Edition) issued in October 2013 by Bursa Malaysia.

Formal channels to account to shareholders and stakeholders are:

Annual Report

THP's Annual Report contains invaluable information on the Company for shareholders specifically and the public in general. As a key channel of communication between the Group and its stakeholders, it contains a comprehensive report on the Group's direction and financial performance, providing disclosure beyond the requirements of the Listing Requirements in promoting better governance.

A summary of the Annual Report is published in printed form and posted to shareholders together with a CD ROM. An electronic version of the full Annual Report is also available on the Company's website for download on both IOS and Android.

The complete printed version of the Annual Report is provided to shareholders upon request. Details on the form of request for printed copy are provided in the corporate and financial summary of the annual report. Our Share Registrar will ensure that the printed copy reaches shareholders within four (4) days of requests being received.

Annual General Meetings ("AGM")

Another significant avenue of communication and dialogue with shareholders is THP's general meetings, in particular the AGMs. During the AGM, the CEO presents a comprehensive review of the Group's performance and value created for shareholders as well as current developments of the Group. This review is supported by a visual and graphic presentation of the key points and financial figures.

In line with MCGG 2012's recommendation in encouraging shareholders' participation in general meetings, the notice for the AGM has been enhanced to include all relevant information with regard to shareholders' rights at the general meeting.

The Board will consider the use of electronic voting for both show of hands and polling to facilitate greater shareholder participation, taking into consideration its availability, reliability, applicability, cost and efficiency.

Upon commencement of the general meeting, the Chairman will explain the rules, including voting procedures that will govern the meeting.

At the AGM, shareholders have encouragingly taken the opportunity to raise questions on the agenda items of the AGM. Appropriate answers and/or clarification are provided by the Board members, Committee chairmen or Senior Management. A press conference is also held immediately after the AGM at which the Chairman, CEO, Chief Financial Officer ("CFO") and relevant Senior Management are present to clarify and explain issues raised by the media.

Investor Relations ("IR")

A sound IR programme is vital in managing the interests of shareholders, stakeholders and investors in the Company. Continuous engagement is maintained with the investing community through a planned IR programme managed by the IR department under the patronage of the CEO. Shareholders and market observers are also welcomed to raise queries at any time.

All communication with the capital market is under the scope of our IR Policy, guaranteeing timely and high quality disclosure of information to shareholders and investors to enable them to form proper judgements and appraisals of the Group in making informed investment decisions.

Communication and feedback from investors can also be directed to:

Senior Manager of Investor Relations

Aizzura Ab Rahim

Contact No. : 03 2687 6687

Email: aizzura@thplantations.com

BOARD CONDUCT

Conflict of Interest and Related Party Transactions (“RPT”)

All related party transactions are reviewed by the internal auditors on a quarterly basis and the reports are subsequently reviewed by the Audit Committee to ensure compliance with the Listing Requirements and the appropriateness of such transactions before being recommended to the Board for approval.

The Board has to ensure such transactions are negotiated and agreed upon at arm’s length distance and on normal commercial terms that are not more favourable to the related parties than those generally available to the public, and are not detrimental to the minority shareholders of the Company.

The shareholders’ mandate in respect of the RRPTs is obtained at the AGM of the Company on a yearly basis. Details of these transactions are set out from page 89 of this Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present to shareholders, investors and regulatory authorities, a clear, balanced and comprehensive assessment of THP Group’s financial performance and prospects. This assessment is primarily provided in quarterly financial reports, audited financial statements, annual reports as well as through material disclosures made in accordance with the Listing Requirements.

The Audit Committee assists the Board in scrutinising the information for disclosure to ensure accuracy, adequacy, transparency and compliance with the appropriate accounting standards and the financial statements give true and fair view of THP Group’s financial position.

Internal Controls and Risk Management

The Board has established an appropriate control environment with a control framework to review the effectiveness, adequacy and integrity of the Group’s system of internal controls. It is designed to manage the risk of non-achievement of the Group’s objectives and provide adequate assurance against the occurrence of any material misstatement or loss.

The Directors’ Statement on Risk Management and Internal Control (“SORMIC”), which provides an overview of the state of internal controls within the Group, is detailed on pages 78 to 82 inclusive, of this Annual Report.

Internal Audit Function

The Internal Audit Department (“IAD”) carries out the internal audit function which is currently led by Head of Internal Audit of THP Group.

The IAD function is to provide the Board, through the Audit Committee, with independent assurance with regards to the effectiveness of the risk management, internal control and governance processes of the Group.

Details of the IAD are set out in the Audit Committee Report from page 83 of this Annual Report.

Relationship with the External Auditors

The Company has always maintained a professional and transparent relationship with the External Auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The Audit Committee met the External Auditors twice without the presence of Management to discuss issues arising out of audit and any matters that the External Auditors may wish to discuss.

The External Auditors are consistently reviewed by the Audit Committee. The review process covers the assessment of the independence of the External Auditors and the evaluation of their performance, quality of work, non-audit services provided and timeliness of services deliverables.

The External Auditors can also be engaged to perform non-audit services provided such services do not impair either in fact or appearance, the auditors objectivity or independence.

The role of the Audit Committee in relation to the External Auditors is described in the Audit Committee Report from pages 85 to 86 of this Annual Report.

INSTILLING SUSTAINABILITY

The Board strongly views sustainability as a combination of both long-term economic value creation with a holistic approach to environmental stewardship, social responsibility and corporate governance.

The Group takes a proactive approach to sustainability through incorporation of sustainable practices into its operations, engaging with society via its corporate responsibility initiatives, consistent review and improves its governance structures as well as taking actions to reduce its environmental footprint. An overview of the Group's activities and initiatives for the year 2016 are detailed in the Corporate Responsibility statement which forms part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT IN THE PREPARATION OF AUDITED FINANCIAL STATEMENTS

The Board of Directors is required under Paragraph 15.26(a) of the Listing Requirements to issue a statement explaining its responsibilities in the preparation of the audited financial statements. The Directors are required by the Companies Act, 1965 to prepare audited financial statements for each financial year which provide a true and fair view of the state of affairs of THP Group at the end of the financial year and of the profit and loss of the Company and the Group for the financial year under review. In preparing these audited financial statements, the Directors have:

- Used appropriate accounting policies and consistently applied them;
- Made judgments and estimates that are reasonable and prudent; and
- Stated whether applicable approved accounting standards have been followed, subject to any material departures disclosed and explained in the audited financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of THP Group and to enable them to ensure that the financial statements comply with the Companies Act, 1965 alongside applicable approved accounting standards in Malaysia.

The Directors are also responsible for taking such steps that are necessary to safeguard the assets of THP Group and to prevent fraud and other irregularities.

This Statement on Corporate Governance is made in accordance with the Resolution of the Board of Directors dated 28 March 2017.

TAN SRI DATO' SRI AB. AZIZ BIN KASIM

Chairman