

## THE BOARD OF DIRECTORS OF THP ("THE BOARD") AFFIRMS THAT IT SHALL INTEGRATE GOOD AND EFFECTIVE CORPORATE GOVERNANCE PRACTICES INTO THE OVERALL BUSINESS DIRECTION AND MANAGEMENT OF THP GROUP.

The Board is vested with duties and responsibilities in ensuring that the Company upholds corporate governance as an integral part of its business, ensuring maximum shareholders' value and enhancing investors' interests. As the guardian of corporate governance, the Board has to ensure that the Company does not compromise in complying with the best practices of the Malaysian Code on Corporate Governance 2012 ("the Code") and the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("Listing Requirements"). Towards this end, THP Group has made great efforts to adopt all of the recommendations on corporate governance as contained in the "Green Book on Enhancing Board Effectiveness" initiated by the Putrajaya Committee on GLC ("Government Linked Companies") High Performance as part of the GLC Transformation Programme, as well as the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad.

The Board consistently strives towards strengthening and raising high standards for the Company, and to ensure that they are in line with corporate governance requirements, as well as ensure that those qualities which are essential in fulfilling its responsibilities of protecting and enhancing the Group's shareholders' value and financial performance is maintained and upheld.

This statement provides a description of how THP has applied the key principles and the extent of its compliance to the best practices set out in the Code throughout the year ended 31 December 2012.

### THE BOARD OF DIRECTORS

#### 1. COMPOSITION, SIZE AND EFFECTIVENESS OF THE BOARD

The Board comprises individuals who are well experienced in their respective fields of enterprise. Their knowledge, background and judgments are invaluable in ensuring that THP Group achieves the highest standards of performance, accountabilities and ethical behaviours, as are expected of the Company by its stakeholders.

THP's Board of Directors consists of nine (9) members, of whom, seven (7) are Independent Non-Executive Directors, one (1), an Executive Director and one (1), a Non-Independent Non-Executive Director. 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 views that the number and composition of the current Board are sufficient and well-balanced to ensure that duties are carried out effectively and to provide greater assurance that no individual or small groups of individuals are allowed to dominate the Board's decision-making.

The positions of Chairman and Chief Executive Officer are held by Tan Sri Datuk Dr Yusof bin Basiran and Dato' Zainal Azwar bin Zainal Aminuddin, respectively. The Chairman has never held the post of Chief Executive Officer of the Company. The division of responsibilities between the Chairman and the Chief Executive Officer is to ensure that there is a balance of power and authority between them, thus avoiding any unfettered power of decision-making in any one individual.

Therefore, it is made apparent that the roles of the Chairman and the Chief Executive Officer are distinguishable and clearly defined.

Dato' Paduka Ismee bin Haji Ismail, who is the Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji, is a Non-Independent Non-Executive Director representing Lembaga Tabung Haji, being the majority shareholder of the Company. His background in business and finance and his professional experience have contributed to the policy formulation efforts and direction of THP Group.

The presence of seven (7) Independent Non-Executive Directors, who neither engage in the day-to-day management of the Company, nor participate in any business dealings or involve in any other form of relationships with the Company, ensures that they remain free from any conflict of interests situation and facilitates the effective discharge of their roles and responsibilities as Independent Directors.

Although all Directors shoulder equal responsibilities for THP Group's operations, the roles of these Independent Non-Executive Directors had proven to be particularly important in ensuring that all business strategies proposed by the management are fully discussed and scrutinised, taking into account long-term interests, not only of THP's shareholders, but also of its employees, customers, suppliers and other THP Group's stakeholders.

The profiles of each member of the Board are outlined in pages 45 to 53 of this Annual Report.

## 2. DUTIES AND RESPONSIBILITIES OF THE BOARD

In discharging their duties, the Board is constantly mindful that the interests of THP Group's customers, investors and all other stakeholders are safe-guarded.

The six (6) principle responsibilities of the Board, among others, include the following:

- a. Reviewing and adopting strategic plans for the Company.  
The Board will review and approve the five (5) year rolling strategic plan for THP Group.

On an on-going basis as needs arise, the Board assesses whether projects, proposed 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 outline of the adopted strategic plans.

- b. 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 are sought where necessary.

The performance of the various operating units of THP Group represents the major elements in the Board's agenda. When and where available, data are compared against national trends as well as the performance of similar operating companies.

THP Group uses Key Performance Indicators (KPI) 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.

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

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

- d. Implementing succession planning, including the appointment and recruitment of senior management team members.

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

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

The Board has 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 about 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 represent as points of reference for press interviews, investor analyst briefings as well as announcements of THP's yearly and quarterly results to Bursa Securities Malaysia Berhad.

- f. 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 on the Internal Audit functions are further discussed in the Audit Committee Report as set out on page 113 to 117 of this Annual Report.

The Company also subscribes to the principles in the Green Book which has been adopted as the Board's Policy Manual to assist in effectively discharging its duties. The Board is therefore guided by the Green Book, among others, in the following areas:

- Group Organisation;
- Board Organisation;
- Board Responsibilities;
- Board Procedures;
- Director Evaluation Guidelines and Procedures; and
- Managing Director Evaluation Guidelines and Procedures.

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

### 3. BOARD MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD

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.

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, prior to every Board meeting. The Board papers contain, among others, 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 correct records of the Board's proceedings. All conclusions of the Board meetings are duly recorded and the minutes are kept by the Company Secretary.

**The Board consistently strives towards strengthening and raising high standards for the Company, and to ensure that they are in line with corporate governance requirements**

The Senior Management are also invited to attend the Board meetings to supply additional detail 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.

A total of eight (8) board meetings were held in 2012 and all Directors have complied with the minimum fifty per centum (50%) attendance as required under Paragraph 15.05 of the Listing Requirements.

The Chairman of the Audit Committee would inform 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) principle 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 made visits to the Company's estates and mills to better assess the operational progress, status of development and any important issues requiring their attention.

Board Meeting attendance by the Directors for the year ended 2012 is detailed below:

Director	Designation	No. of Meetings Attended	%
Tan Sri Datuk Dr Yusof bin Basiran	Independent Non-Executive Chairman	8/8	100
Dato' Zainal Azwar bin Zainal Aminuddin	Chief Executive Officer / Executive Director	8/8	100
Tan Sri Dr Abdul Samad bin Haji Alias	Independent Non-Executive Director	8/8	100
Dato' Paduka Ismee bin Haji Ismail	Non-Independent Non-Executive Director	6/8	75
Datuk Azizan bin Abd Rahman	Independent Non-Executive Director	6/8	75
Dato' Haji Wan Zakaria bin Abd Rahman	Independent Non-Executive Director	7/8	88
Dato' Noordin bin Md Noor	Independent Non-Executive Director	7/8	88
Dato' Amran bin Mat Nor	Independent Non-Executive Director	7/8	88
Mahbob bin Abdullah	Independent Non-Executive Director	8/8	100

In carrying out their duties, all Directors have unrestricted access to all information in the Company. 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 THP Group's performance as well as external factors that may influence its business.

#### 4. APPOINTMENT OF NEW DIRECTORS

The number and composition of members of the Board are reviewed on a regular basis to ensure its effectiveness in safeguarding the Company's long term interests.

The Nomination Committee assesses the suitability of proposed new Directors and upon reaching a consensus, recommends candidates to the Board for appointment.

The Company Secretary ensures that all the appointments are properly made, necessary information obtained and all legal and regulatory requirements met.

#### 5. RE-ELECTION/RE-APPOINTMENT OF DIRECTORS

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

In accordance with the Company's Articles of Association, 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"). Tan Sri Datuk Dr Yusof bin Basiran, Dato' Haji Wan Zakaria bin Abd Rahman and Mahbob bin Abdullah are subject to retirement under the Company's Articles of Association and being eligible, have offered themselves for re-election.

The Company's Articles of Association also provide that newly-appointed directors shall hold office until the next AGM and shall then be eligible for re-election. There were no Directors being appointed during the year.

The Board has adopted a retirement age policy for themselves, guided in general by the Companies Act, 1965 and the Green Book, which both set the age limit for Directors at seventy (70) years. Pursuant to Section 129 (6) of the Companies Act, 1965, Directors over seventy (70) years of age are to retire at every AGM and may offer themselves for re-appointment. As at the date of this Annual Report, Tan Sri Dr Abdul Samad bin Haji Alias has attained the age of seventy (70) years and has offered himself for re-appointment.

## 6. BOARD COMMITTEES

To assist the Board in discharging its duties effectively whilst enhancing business and operational efficacy, the Board has established several Committees, namely:

- Audit Committee;
- Nomination Committee;
- Remuneration Committee;
- Tender Committee A;
- Tender Committee B; and
- Employees' Share Option Scheme Committee.

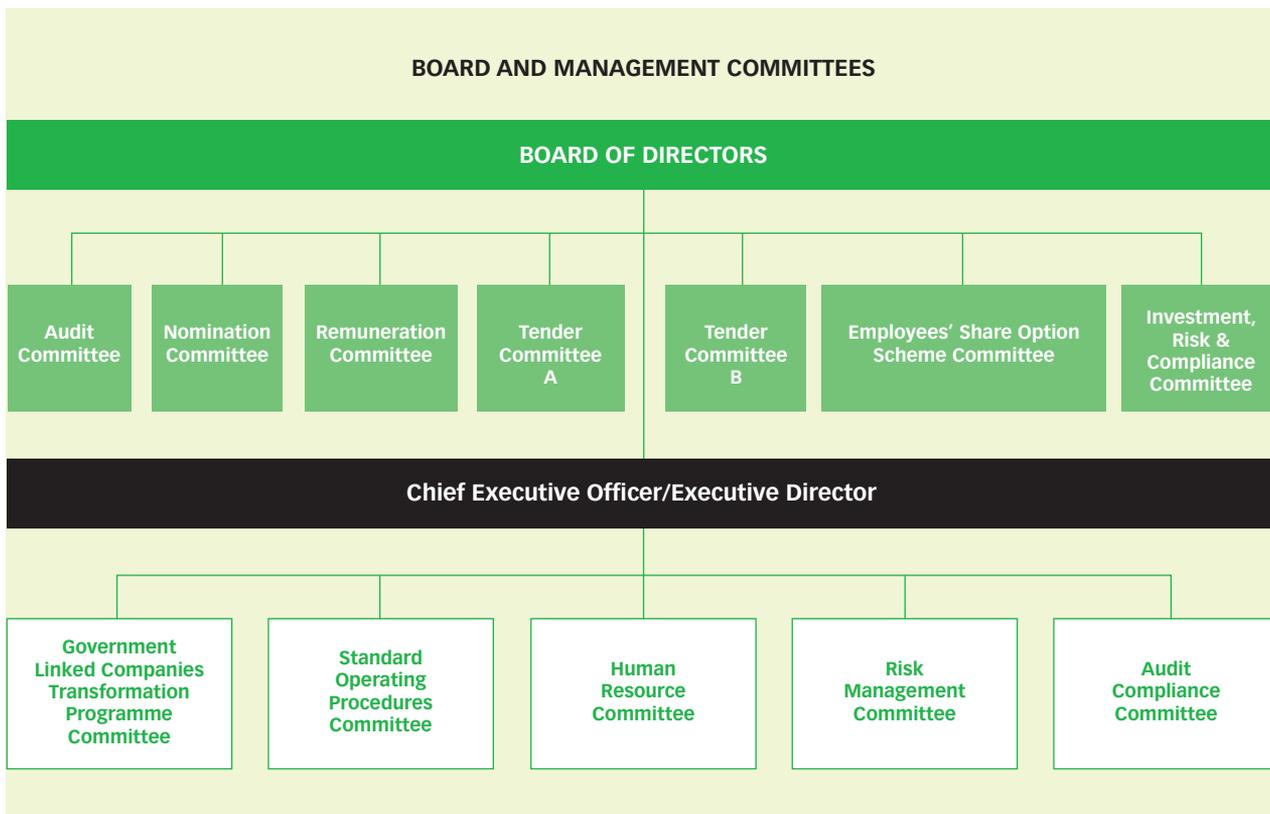
To promote the smooth running of the Board Committees, each of the Board Committees shall adhere to clear terms of references which have been approved by the Board. These committees have the authority to examine particular issues within their respective terms of reference and to make recommendations to the Board.

In August 2012, the Board had established an Investment Committee to assist on matters relating to investments made by the Company. Since its establishment, the Investment Committee had met three (3) times to consider, discuss and scrutinise investment proposals for THP Group.

On October 2012, the Board has expanded the Committee's scope to include overseeing THP Group's risks and compliance functions. Following thereto, the Board has changed the Committee's name to Investment, Risk & Compliance Committee.

Details on the Investment, Risk & Compliance Committee are as set out on page 100 of this Annual Report.

Apart from the Board Committees, Management Committees have also been established by the management to facilitate the functions of the Board. These include the Government Linked Companies Transformation Programme Committee, Standard Operating Procedures Committee, Human Resource Committee, Risk Management Committee and the Audit Compliance Committee.



Details of the main Board Committees for the year ended 31 December 2012 are outlined below:

**a. Audit Committee**

Pursuant to Paragraph 15.15 of the Listing Requirements, the Audit Committee Report for the financial year ended 31 December 2012 is presented on pages 113 to 117 of this Annual Report.

**b. Nomination 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 Non-Executive Directors, a majority of whom are independent. The members of the Nomination Committee are as follows:

- i. Tan Sri Dr Abdul Samad bin Haji Alias  
Chairman, Independent Non-Executive Director
- ii. Datuk Azizan bin Abd Rahman  
Member, Independent Non-Executive Director
- iii. Mahbob bin Abdullah  
Member, Independent Non-Executive Director

TERMS OF REFERENCE

The salient terms of reference of the Nomination Committee are as follows:

Functions 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 each individual Director;
- 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 of the Company and its Group i.e. the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, Head of Human Resource, Head of Marketing, Senior General Managers and General Managers.

Meetings and Quorum

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 is two (2) members.

Reporting Procedures

The actual decision as to who shall be appointed to the Board shall be the responsibility of the Board, after considering the recommendations made by the Committee.

The Committee should report to the Board for its consideration, approval and implementation.

#### Meeting Attendance & Activities During The Year

During the year, the Nomination Committee held one (1) meeting duly attended by all members to inter alia review the existing Board structure, size and composition, review and assess the effectiveness and performance of the Board and Board Committees, review and recommend the extension of contracts of senior management of the Company and its Group, as well as review the retirement of Directors by rotation, who are eligible for re-election.

### c. Remuneration 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 members of the Remuneration Committee are as follows:

- i. Tan Sri Datuk Dr Yusof bin Basiran  
Chairman, Independent Non-Executive Director
- ii. Dato' Paduka Ismee bin Haji Ismail  
Member, Non-Independent Non-Executive Director
- iii. Dato' Haji Wan Zakaria bin Abd Rahman  
Member, Independent Non-Executive Director

#### TERMS OF REFERENCE

The Remuneration Committee's salient terms of reference are as follows:

#### Functions 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.

#### Meetings and Quorum

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 is two (2) members.

#### Structures and Procedures

- 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 the discussion of 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.

#### Meeting Attendance

During the year, the Remuneration Committee held one (1) meeting duly attended by all members.

### d. Tender Committee A

#### COMPOSITION

The 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 Non-Executive Directors, a majority of whom are independent. The members of Tender Committee A are as follows:

- i. Mahbob bin Abdullah  
Chairman, Independent Non-Executive Director
- ii. Dato' Paduka Ismee bin Haji Ismail  
Member, Non-Independent Non-Executive Director
- iii. Dato' Haji Wan Zakaria bin Abd Rahman  
Member, Independent Non-Executive Director

#### TERMS OF REFERENCE

The Tender Committee A's salient terms of reference are as follows:

#### Functions and Responsibilities

The primary duties and responsibilities of Tender Committee A shall include the following:

- 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.

#### Meetings and Quorum

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.

#### Reporting Procedures

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.

#### Meeting Attendance

Tender Committee A had a total of two (2) meetings during the year. The attendance record was as follows:

Members	Attendance
Mahbob bin Abdullah	2/2
Dato' Paduka Ismee bin Haji Ismail	2/2
Dato' Haji Wan Zakaria bin Abd Rahman	1/2

#### e. Investment, Risk & Compliance Committee

##### COMPOSITION

The Investment, Risk & Compliance Committee shall consist of at least three (3) members, comprising exclusively Non-Executive Directors, a majority of whom are independent. The term of office will be for a duration of two (2) years or as decided by the Board. The members of the Investment, Risk & Compliance Committee are as follows:

- i. Mahbob bin Abdullah  
Chairman, Independent Non-Executive Director
- ii. Tan Sri Dr Abdul Samad bin Haji Alias  
Member, Independent Non-Executive Director
- iii. Datuk Azizan bin Abd Rahman  
Member, Independent Non-Executive Director

##### TERMS OF REFERENCE

The Investment, Risk & Compliance Committee's salient terms of reference are as follows:

##### Functions 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 team-work 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 short-list based on considerations regarding financing through internally generated funds, or fund-raising.
- To provide business strategy guidance on growth and 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 including for any downstream activities.
- To ensure that all investment proposals will be evaluated in accordance with guidelines specified by the Committee with timely presentations to the Board.

#### Meeting and Quorum

The Committee will meet as required or at least once in three (3) months 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.

#### Meeting Attendance

The Investment, Risk & Compliance Committee had a total of three (3) meetings during the year. The attendance record was as follows:

Members	Attendance
Mahbob bin Abdullah	3/3
Tan Sri Dr Abdul Samad bin Haji Alias	3/3
Datuk Azizan bin Abd Rahman	2/3

#### f. Employees' Share Option Scheme Committee

##### COMPOSITION

The members of the Employees' Share Option Scheme ("ESOS") Committee are as follows:

- Dato' Noordin bin Md Noor  
Chairman, Independent Non-Executive Director
- Dato' Zainal Azwar bin Zainal Aminuddin  
Member, Executive Director

- Haji Hassan Fikri bin Mohamad  
Member
- Mohamed Azman Shah bin Ishak  
Member
- Aliatun binti Mahmud  
Member
- Fadzil bin Abdullah  
Member

#### Functions and Responsibilities

The ESOS Committee is established primarily:

- To administer the ESOS in accordance with the By-Laws of the ESOS and in such manner as it shall in its discretion deem fit and within such powers and duties as are conferred upon it by the Board.
- To review and amend, at any time and from time to time, any provisions of the By-Laws, provided that the amendments are not prejudicial to the eligible employees and are with the prior approval of the shareholders of the Company. Such modifications/variations shall be subject to the approval of the Board and the relevant regulatory authorities.

#### Meeting Attendance

ESOS Committee had a total of two (2) meetings during the year. The attendance record was as follows:

Members	Attendance
Dato' Noordin bin Md Noor	2/2
Dato' Zainal Azwar bin Zainal Aminuddin	1/2
Haji Hassan Fikri bin Mohamad	1/2
Mohamed Azman Shah bin Ishak	1/2
Aliatun binti Mahmud	1/2
Fadzil bin Abdullah	2/2

## DIRECTORS' REMUNERATION

The Board believes that the level of remuneration offered by THP Group is sufficient to attract and retain Directors of calibre and with sufficient experience and talent to contribute to the performance of the Company. Comparisons with similar positions within the industry and other major public listed companies are made in order to arrive at a fair remuneration rate.

The remuneration of the Executive Director includes salary and emoluments, bonus and benefits-in-kind. The Executive Director is also eligible to participate in the Company's ESOS that came into effect on 8 May 2009.

In the case of Non-Executive Directors, the remuneration structure reflects the level of responsibilities undertaken and contributions made by them. Currently, the Non-Executive Directors are paid Directors' fees and attendance allowance for each Board/Committee meeting that they attend. In addition, the Non-Executive Directors 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 Non-Executive Director, is entitled to a company car. Non-Executive Directors, however, do not participate in THP's ESOS.

Details of remunerations (including benefits-in-kind) of each Director for the year ended 31 December 2012 are as follows:

Executive Director	RM					
	Salary	Fees*	Bonus	Other Emoluments	Benefits in-kind	Total
Dato' Zainal Azwar bin Zainal Aminuddin	657,353	54,000	540,000	198,196	7,200	1,456,749

Non-Executive Directors	RM					
	Salary	Fees*	Bonus	Other Emoluments	Benefits in-kind	Total
Tan Sri Datuk Dr Yusof bin Basiran	-	108,000	-	-	24,600	132,600
Tan Sri Dr Abdul Samad bin Haji Alias	-	78,000	-	-	-	78,000
Dato' Paduka Ismee bin Haji Ismail	-	54,000	-	-	-	54,000
Datuk Azizan bin Abd Rahman	-	66,000	-	-	-	66,000
Dato' Haji Wan Zakaria bin Abd Rahman	-	54,000	-	-	-	54,000
Dato' Noordin bin Md Noor	-	89,000	-	-	-	89,000
Dato' Amran bin Mat Nor	-	54,000	-	-	-	54,000
Mahbob bin Abdullah	-	54,000	-	-	-	54,000
<b>TOTAL</b>	<b>657,353</b>	<b>611,000</b>	<b>540,000</b>	<b>198,196</b>	<b>31,800</b>	<b>2,038,349</b>

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

Number of Directors whose remuneration falls within the following bands:

Ranges of Remuneration	Executive Director	Non-Executive Directors	Total
Below RM50,000	-	-	-
RM50,001 to RM100,000	-	7	7
RM100,001 to RM150,000	-	1	1
RM1,000,000 to RM1,500,000	1	-	1

## DIRECTORS' TRAINING

In compliance with the Listing Requirements, the Company regularly assesses the training needs of its Directors to ensure that they are well-equipped with the requisite knowledge and competencies to contribute effectively to the role of the Board.

All Directors have successfully completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Securities Berhad. The Listing Requirements require newly appointed directors of public listed companies to attend the MAP within four (4) months after their appointment.

In addition, the Directors are also encouraged to continue attending various training programmes that are relevant to further enhance their knowledge and expertise in discharging their responsibilities.

For the financial year ended 31 December 2012, the Directors attended conferences, seminars and training programmes included in the following areas:

<b>Plantation Industry</b>
<ul style="list-style-type: none"> <li>• Palm Oil Conference – Palm &amp; Lauric Oils Conference &amp; Exhibition Price Outlook</li> <li>• 2012 International Planters Conference</li> <li>• Palm Oil- Economic Review &amp; Outlook Seminar 2012</li> <li>• 5th National Seminar on Oil Palm Mechanisation 2012</li> </ul>
<b>Corporate Governance</b>
<ul style="list-style-type: none"> <li>• Update on the Corporate Governance Blueprint</li> </ul>
<b>Finance, Law &amp; Economy</b>
<ul style="list-style-type: none"> <li>• Directors' Duties, Defences, Bursa Malaysia and Judicial Review</li> <li>• Competition Law: How It May Impact the Way We Do Business</li> <li>• Role of the Audit Committee (AC) in Assuring Audit Quality</li> <li>• What Keeps an Audit Committee Up at Night</li> <li>• The Key Components of Establishing and Maintaining World-Class AC Reporting Capabilities</li> <li>• Khazanah Megatrends: The Big Shift - Traversing the Complexities of a New World</li> <li>• PNB Group Initiatives 2012</li> <li>• Invest Malaysia 2012</li> </ul>
<b>Board Leadership</b>
<ul style="list-style-type: none"> <li>• Directors' Summit 2012</li> <li>• Insider Trading</li> <li>• TH Business Plan Workshop 2012</li> <li>• Harvard Business School MDP</li> <li>• Mandatory Accreditation Programme</li> </ul>
<b>Public Relations</b>
<ul style="list-style-type: none"> <li>• Building an Effective Media Relationship</li> </ul>

## COMMUNICATION AND RELATIONSHIP WITH INVESTORS AND SHAREHOLDERS

The Company continually ensures that it maintains a high level of disclosure and communication with its shareholders and stakeholders through various practicable and legitimate channels. The Company is duty-bound to keep the shareholders and investors informed of any major developments and changes affecting the Group.

Apart from the annual reports, press releases and analyst briefings, THP's website, [www.thplantations.my](http://www.thplantations.my), also houses all other public corporate and financial information, such as THP Group's quarterly announcements of its financial results, announcements and disclosures made pursuant to disclosures required by the Listing Requirements and other corporate information on THP Group.

Another key avenue of communication with its shareholders is THP's annual general meeting, which provides a useful forum for shareholders to engage directly with the Company's Directors and senior management. During the general meeting, shareholders are at liberty to raise questions or seek clarifications from the Company's Directors and senior management team, on the items listed on the agenda of the general meeting.

At THP's annual general meeting, the Chief Executive Officer/ Executive Director of THP presents a comprehensive and concise review of THP Group's performance as well as the value created for shareholders. This review is supported by visual and graphical presentation of key financial figures and key operational highlights.

Meetings and briefings were held periodically with investors, research analysts, bankers and the press to explain THP Group's latest performance results, current developments and future direction. To seek clarification or explanation on any issues arising, participants are encouraged to pose questions to THP's Chief Executive Officer/Executive Director or members of the senior management team. While these forms of communications are important, the Company takes full cognisance of its responsibility not to disclose price-sensitive information.

As mentioned earlier, the Board has adopted the IR Policy to enable appropriate communication with all stakeholders. In the said IR Policy, the authorised spokespersons will guide and steer communications to be made by THP's senior management and employees. This is to avoid contradictions and differing views on certain issues and ensure that only clear and precise information are given to the media and the market.

For further information or queries on matters relating to Investor Relations, please contact the following person:

Aizzura Ab Rahim  
Senior Manager – Investor Relations  
Contact No: 03 2687 6687  
Email: [aizzura@thplantations.com](mailto:aizzura@thplantations.com)

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board aims to present to the shareholders, investors and regulatory authorities, a balanced and meaningful assessment of THP Group's financial performance and prospects. This assessment is primarily provided in the Annual Report under the Chairman's Statement and the accompanying financial statements.

The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy and completeness of information.

### Internal Controls

The review on the system of internal controls is set out under the Statement on Risk Management & Internal Control from pages 110 to 112 of this Annual Report. In 2012, the Audit Committee met the External Auditors twice without the presence of the management.

### Related Party Transactions

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 its approval.

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

The Shareholders' mandate in respect of the RRPT is obtained at the annual general meeting of the Company on a yearly basis. Details of these transactions are set out from page 108 of this Annual Report.

### Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report from pages 113 to 117 of this Annual Report.

The Company has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

### Relationship with the Management

The Board maintains a close and transparent relationship with the management. The Board is furnished with information relating to the running of THP Group's operations through various financial and operational monthly and quarterly reports prepared by the management. This will allow them to understand the operations better and make decisions in steering the Company towards a profitable business.

**The Board is furnished with information relating to the running of THP Group's operations through various financial and operational monthly and quarterly reports prepared by the management.**

### 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 the 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 in 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 29 March 2013.