

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5047
COMPANY NAME : NPC Resources Berhad (“NPC”)
FINANCIAL YEAR : 31 December 2017

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company’s strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company’s values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board views corporate governance as synonymous with three key concepts – transparency, accountability as well as corporate performance. The Board plays a primary role in corporate governance by setting out the strategic direction of the Group, establishing goals and monitoring the achievement of the goals. A structured risk management process has also been established to better identify, formalise, monitor within the various operating units and manage the business risks affecting the Group.</p> <p>The Board serves as an allied leader to guide and collectively review the management of company affairs and overall performance of the company, while staying committed to ensuring that good corporate governance is conducted throughout the Group. The Group’s business units are separated based on their products and services, and have three reportable operating segments. The Board ensures it stays collectively up to date with the developments in each sector:</p> <ol style="list-style-type: none"> 1. Plantation and milling segment, involving cultivation and sale of oil palm products <ul style="list-style-type: none"> • assessing whether the mill is being properly managed through regular communication with the plantation managers and monthly site visits to the Berkat Mill and Nala Mill as well as to the plantations in both Sabah and Indonesia; • weighing the operational risks during supply collection and production against future business prospects, to get more effective oversight into the Group’s palm oil business direction; and • collectively formulating both short and long term strategic plans to improve business productivity 2. Corporate segment, which covers all Group-level corporate services, treasury and purchasing functions and business investments

- analysing the Group's actual results against the budget previously set, before approving the following budget;
- reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines
- managing the delegation of duties to the Group's management;
- succession planning for senior management positions, including the assessment of future candidates for the Board to maintain its fairness and improve the quality of its member composition; and
- implementing shareholder communications policy and issuing timely statements of company developments, available on the Bursa website.

3. Hotelier segment, dealing with hotel operations

- regularly visiting the Palace Hotel and evaluating the quality of service provided
- keeping in contact with Palace Hotel management to review progress and advise if necessary

The Board is guided by the Board Charter which sets out the role, composition and responsibilities of the Board and is posted at the Company's corporate website (www.npc.com.my). The Board will review the Board Charter annually to ensure it remains consistent with the Board's objectives and responsibilities. In carrying out its role and responsibilities, the Board is further guided by the existing code of conduct formalised in the Group's Human Resource Handbook and its compliance is to be strictly observed throughout the Group.

The Board continues to adhere to the Code of Conduct for Directors which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility.

The Board recognises the importance of adhering to and complying with the provisions of the Code of Conduct in their day-to-day functioning. Thus, the Board collectively and individually acts within the authority conferred upon them in the best interest of the Group.

A Strategic Plan has been adopted as one of the key policies in ensuring that the Group crystallises its future plans and provides a clear direction for the Board and Officers of the Group. The Strategic Plan promotes sustainability and its sustainability policies and implementation are disclosed in the Sustainability Statement on page 27 of the Annual Report 2017.

The Board has three standing committees to ensure that Board practices remain ethical and effective, while enhancing business and operational efficiency:

- a) the Audit Committee;
- b) the Remuneration Committee; and
- c) the Nomination Committee.

	The membership and Terms of Reference of the Committees are as stated in the Annual Report 2017.	
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied.
Explanation on application of the practice	:	Loo Ngin Kong serves as Executive Chairman of the Board. Key responsibilities of the Chairman include but are not limited to: <ul style="list-style-type: none">• providing leadership and guidance to the board so that the board can perform its responsibilities effectively;• determining the board agenda based on the dates of previous Board meetings in the annual meeting calendar, after reviewing that the minutes from the previous meeting were resolved, before circulating the information to each Board member;• chairing board meetings and discussions, and ensuring the discourse is conducted in an efficient manner;• promoting a boardroom environment that encourages active participation among board members and allows for dissenting views to be freely expressed;• managing the interface between board and management, making sure that there is clear and consistent communication between the two;• verifying that all company announcements are promptly released to the public and the relevant business statements are issued in a timely manner to provide effective communication with stakeholders, as well as ensuring that their views are heard by the Board as a whole; and• leading the board in establishing and monitoring good corporate governance practices in the company
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	: Applied.
Explanation on application of the practice	<p>The Group Managing Director, Dato’ Loo Pang Kee who also assumes the role of CEO, focuses on the business and day-to-day management of the Company. In the event of dealing with matters in the board meetings that have any potential conflict of interests with the Chairman of the Company, the Deputy Chairman, Dato’ Seri Tengku Dr Zainal Adlin bin Tengku Mahamood who is a non-executive independent director will assume the role of the Chairman in the board meetings.</p> <p>Guided by the Board’s overall strategy, the responsibilities of the Group Managing Director cum CEO include:</p> <ul style="list-style-type: none"> • formulating and successfully implementing company policy; • directing strategy towards the profitable growth and operation of the company; • developing strategic operating plans that reflect the longer-term objectives and priorities established by the board • maintaining an ongoing dialogue with the Chairman of the Board • putting in place adequate operational planning and financial control systems • ensuring that the operating objectives and standards of performance are not only understood but owned by the management and other employees • closely monitoring the operating and financial results against plans and budgets • taking remedial action where necessary and informing the Chairman and Board members of significant changes • maintaining the operational performance of the company is kept in line with the Company’s business aims • monitoring the actions of the functional board directors • assuming full accountability to the Board for all company operations • building and maintaining an effective executive team. <p>To ensure a balance of power and authority, there has been a clear and distinct division between the responsibilities of the Chairman and Managing Director. The Chairman is responsible for managing the Board in order to achieve its objectives and lead the discussion at the Board level to encourage a healthy level of deliberation whilst the Group CEO is responsible for managing the Company and the Group as well as the implementation of the Board’s policies and decisions. The Board is satisfied that no one individual can influence board discussions or decision-making.</p>
Explanation for departure	: .

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied.
Explanation on application of the practice	:	<p>NPC has two Company Secretaries, both of whom are fully qualified. Dorothy Luk Wei Kam is a Member of the Malaysian Institute of Chartered Secretaries (MAICSA) while Tan Vun Su is a Member of the Malaysian Institute of Accountants (MIA). The Company Secretaries hold the following responsibilities:</p> <ul style="list-style-type: none">• maintaining the company's statutory registers in accordance to the Companies Act 2016;• updating Company records on corporate and managerial decisions;• retaining Company records at the company's registered office;• advising the board of directors on their legal and corporate responsibilities and matters of corporate governance;• monitoring the developments in corporate governance regulations and facilitating the Board's application of the best practices of the Malaysian Code on Corporate Governance ("MCCG"), taking into account the Board's needs and stakeholders' expectations;• organising the company's board meetings and Annual General Meeting;• and recording clear, accurate and concise minutes of any Board meetings;• ensuring company compliance with legal obligations; and• acting as liaison between the company and its stakeholders and shareholders <p>During the financial year ending 31 December 2017, the Company Secretaries have undertaken continuous professional development by attending:</p> <ul style="list-style-type: none">• Effects of Companies Act 2016 on Accountants and Auditors organised by Association of Chartered Certified Accountants (ACCA)• 2018 Budget and Tax Conference organised by Ernst & Young Malaysia
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Company Secretaries, in consultation with the Executive Chairman and the Group Managing Director, issue a formal agenda with the relevant board meeting papers, at least one (1) week prior to each meeting. Any one of the Directors may at any time and the Company Secretaries shall on requisition of a Director summon a meeting of Directors.</p> <p>All Directors have access to the advice and services of the Management and Company Secretaries together with all information within the Group whether as full Board members or in their individual capacity, in furtherance of their duties. The appointment and removal of Company Secretaries are matters for the Board as a whole. The Board recognises the strong and positive support of the Company Secretaries for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Directors are informed and aware they may take independent professional advice, if necessary and appropriate in furtherance of their duties, at the expense of the Group.</p> <p>The Directors have unrestricted direct access to the Company's Senior Management and the services of the Company Secretaries to enable them to discharge their duties and responsibilities effectively. The Board is regularly updated and advised on statutory and regulatory requirements by the Company Secretaries who are suitably qualified, experienced and competent. The Company Secretaries are responsible for providing clear and professional advice to the Board on all governance matters and assist the Board on the implementation of an effective corporate governance system.</p> <p>Apart from playing an active role in advising the Board on governance and regulatory matters, the Company Secretaries also organise and attend all Board meetings and ensure that all Directors receive timely, clear and concise information in advance prior to the scheduled meetings. In order to ensure uniformity of Board conduct, the Company Secretaries also provide oversight on the overall corporate secretarial functions of the Group, both locally and in the countries where the subsidiaries are operating, and served as an adviser on matters pertaining to governance.</p>
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website.

The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board is guided by the Board Charter which sets out the role, composition and responsibilities of the Board and is posted at the Company's corporate website (www.npc.com.my). The Board will review the Board Charter annually to ensure it remains consistent with the Board's objectives and responsibilities, in accordance with the progressive needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.</p> <p>Any subsequent amendment to the Charter can only be approved by the Board. Apart from setting out the roles and responsibilities of the Board, the Board Charter also outlines the membership guidelines, procedures for Board Meetings, Directors' remuneration, and investor relations and shareholder communication.</p> <p>In carrying out its role and responsibilities, the Board is further guided by the existing code of conduct formalised in the Group's Human Resource Handbook and its compliance is to be strictly observed throughout the Group.</p>
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board continues to adhere to the Code of Conduct for Directors which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility.</p> <p>The Board recognises the importance of adhering to and complying with the provisions of the Code of Conduct in their day-to-day functioning. Thus, the Board collectively and individually acts within the authority conferred upon them in the best interest of the Group.</p> <p>The Board also practices the following Code of Conduct:</p> <ul style="list-style-type: none">a) acts in the best interest of, and fulfils their fiduciary obligations to the Group and its shareholders;b) acts honestly, fairly, ethically and with integrity;c) conducts themselves in a professional, courteous and respectful manner without taking improper advantage of their position;d) acts in good faith, responsibly, with due care, competence and diligence without allowing their independent judgement to be subordinated;e) uses their prudent judgement to avoid/abstain from all situations, decisions or relationships which give or could give rise to conflict of interest or appear to conflict with their responsibilities within the Group, and to inform the Board, at the earliest opportunity, of any existing or potential conflict of interest situation;f) not exploit for his own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the Group declines to pursue such opportunity for its business interest;g) acts to enhance and maintain the reputation of the Group; andh) strives to contribute towards the growth and stability of the Group.
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied.
Explanation on application of the practice	:	<p>NPC adopts and practices the company Code of Conduct (“CoC”), which stands to preserve and cultivate ethical standards within the entire company. The CoC was introduced to help its employees make the right choices and act appropriately in response to any ethical dilemmas in their daily work.</p> <p>The CoC applies to all members of the Board, management personnel and employees. In addition, as part of Human Resources policy, every new employee is given to understand and sign Schedule III – Employee Code of Conduct (“ECoC”) as part of standard employment procedure.</p> <p>ECoC covers the following areas:</p> <ul style="list-style-type: none">• Appropriate conduct to preserve the Company’s reputation and image;• Procedure in the event of any legal proceedings against third party that might implicate the Company;• Confidentiality of private Company information;• Observance of all established Company policies and procedures;• Prohibition of all Insider Trading activities• Usage of Company property, belongings or services for own personal benefit or use• Personal use of own account in the name of the Company for any transactions with third parties;• Strict forbiddance of financial gifts or favours in money• Abuse of position in the Company for personal benefit• Solicitation of favours, gifts or offers of any form• The Code on Sexual Harassment (detailed in Schedule IV – Code of Practice on the Prevention and Eradication of Sexual Harassment in the Workplace• Steps to take to report serious breaches of discipline, and the deterrent actions in response <p>The CoC and ECoC are extensive but not exhaustive and the Group expects its employees to exercise sound judgement in their decision-making in order to adhere to the highest ethical standards. Both Codes of Conduct will be reviewed periodically. All complaints against employees or the Board are taken seriously and seriously reviewed, with appropriate disciplinary penalties taken.</p>
Explanation for departure	:	.

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises majority independent directors.

Application	:	Departure															
Explanation on application of the practice	:	.															
Explanation for departure	:	<p>Appropriate board composition is fundamental to the success in providing strong and effective leadership. The breadth of knowledge, skills and experience of the individual Directors of NPC are outlined in the Directors' Profile section of the Group 2017 Annual Report. The Company continues to have a strong mix of experienced individuals as Executive Directors together with Non-Executive Directors who are able to offer views and perspective on the business and often, constructively challenge the Group Managing Director. All debates include the participation of every Director, both Executive and Non-Executive, which allows the Board to utilise the experience and skills of each individual Director to their maximum potential and assists them in making decisions that are in the best interest of the Company.</p> <p>The current status of the Board composition is:</p> <table border="1"><thead><tr><th>Designation</th><th>Number of Directors</th><th>Percentage (%)</th></tr></thead><tbody><tr><td>Executive Director</td><td>4</td><td>50.0</td></tr><tr><td>Non-Independent Non-Executive Director</td><td>1</td><td>12.5</td></tr><tr><td>Independent Non-Executive Director</td><td>3</td><td>37.5</td></tr><tr><td>Total</td><td>8</td><td>100.0</td></tr></tbody></table> <p>As of the financial year ending 31 December 2017, 37.5% (3 out of 8) of the Board members are independent. The Board takes cognisance that the current composition of the Board is not aligned with the desired practice of at least half to comprise independent directors. Currently, the sole Non-Independent Non-Executive Director is Tan Sri Dato' Sri Koh Kin Lip, JP. He has no family relationship with any other directors or major shareholders of the Company. Save as disclosed in note 33 to the Financial Statements, he has no other conflict of interest with the Company.</p> <p>Although he is a Non-Independent Non-Executive Directors, his willingness to challenge Board Executive Directors and management decisions, question any potential uncertainties without fear, and debate constructively during board meetings helps to reinforce the check and balance of Board's decision making process.</p>	Designation	Number of Directors	Percentage (%)	Executive Director	4	50.0	Non-Independent Non-Executive Director	1	12.5	Independent Non-Executive Director	3	37.5	Total	8	100.0
Designation	Number of Directors	Percentage (%)															
Executive Director	4	50.0															
Non-Independent Non-Executive Director	1	12.5															
Independent Non-Executive Director	3	37.5															
Total	8	100.0															

	The lack of majority Independent Directors in the current Board composition does not jeopardise independent Board deliberations and all decisions are made in the best interests of company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board is committed to adhering to Practice 4.1 of the MCCG 2017, and had further deliberated the lack of compliance to the matter during Board meetings. All potential candidates for the role of Independent Director will be reviewed and considered during the following Board meetings.
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied.
Explanation on application of the practice	:	<p>In accordance with the Constitution of the Company, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting and that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.</p> <p>With the addition of Practice 4.2 of the MCCG 2017, any independent directors who have served in that capacity for more than nine years and to be retained by the Board in that capacity are subject to shareholders' approval at every annual general meeting. Independent directors serving for longer than twelve years are subjected to annual shareholders' approval through a two-tier voting process.</p> <p>The Board considered the independence of the Directors and their other commitments when they were first appointed or in the event there are changes in circumstances that warrant re-evaluation of the Directors' independence. The Company promotes open and honest communication among Board members to reinforce the independence of Independent Directors.</p> <p>On 3 April 2017, the full Committee met to consider and recommend the:-</p> <ul style="list-style-type: none">(a) re-appointment of Mr Loo Ngin Kong and Dato' Seri Tengku Dr Zainal Adlin bin Tengku Mahamood retiring as directors at the conclusion of the Seventeenth Annual General Meeting;(b) re-election of Dr Edmond Fernandez and Tan Sri Dato' Sri Koh Kin Lip, JP retiring as directors at the conclusion of the Seventeenth Annual General Meeting, pursuant to Article No. 93; and(c) retention of Mr Lim Ted Hing, Dr Edmond Fernandez and Dato' Seri Tengku Dr Zainal Adlin Bin Tengku Mahamood as independent non-executive directors. <p>Tan Sri Dato' Sri Koh Kin Lip, JP, whose tenure as Non-Independent Non-Executive Director has exceeded nine years was re-elected after voting by shareholders. All three of the Company's Independent Non-Executive Directors have tenures exceeding 12 years in NPC. Pursuant to Practice 4.2 of the MCCG 2017, they would undergo a two-tier voting</p>

	<p>policy involving the Large Shareholders and all other shareholders before being retained. The list of Large Shareholders is disclosed under the Shareholdings Statistics on page 140 of the Annual Report 2017.</p> <p>In addition to the annual Director review assessment criteria listed above, the Board considers whether retaining an Independent Director serves to reinforce the integrity of the Board. The three retained Independent Directors, were further assessed and found to remain independent in character and judgement, by:</p> <ul style="list-style-type: none"> a) consistently demonstrating independence of judgment during deliberations at Board meetings; b) acting independently of management while in line with Company policies and strategies; c) continuingly demonstrating clarity of thought, objectivity and impartiality on problem solving during deliberations at Board meetings; d) providing relevant and discerning views and opinions that carry significant weight in the Board's decision-making process; and e) refraining from any action that would lead to loss of her/his independence. <p>It was established that all three of the Directors up for retainment were found to remain independent. The Board was satisfied with the level of independence demonstrated by them throughout the financial year ending 31 December 2017 and their ability to act in the best interest of NPC.</p>
<p>Explanation for departure</p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>:</p>
<p>Timeframe</p>	<p>:</p>

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Departure	
Explanation on adoption of the practice	:	.	
Explanation for departure	:	The Board is committed to adhering to Practice 4.2 of the MCCG 2017, whereby the retention of an independent director who has served the NPC for a cumulative term of more than 12 years as an independent director is subject to shareholders' approval via a two-tier voting process in the forthcoming eighteenth Annual General Meeting.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board has put in place the necessary selection criteria for the appointment of Directors. Through the Nomination Committee (“NC”), the Directors are assessed annually and the findings are analysed for review and endorsement by the Board.</p> <p>All nominees and candidates to the Board are first considered by the NC, taking into consideration the combination of skills, competencies, experience, integrity, time commitment and other character qualities required to effectively discharge his or her role as a director. The NC will then table the considered nominees and candidates for approval to the Board.</p> <p>NPC has promoted a culture aspires to ensure a diverse and inclusive board that will leverage on differences in thoughts, perspectives, knowledge, skills, regional and industry experiences, cultural and geographical background, age, ethnicity and gender to achieve effective stewardship and management which in turn will lead to its competitive advantage. The Company recognises that a diverse Board in the Company could offer greater depth and breadth compared to non-diverse Board, whilst the diversity at Senior Management will lead to better decisions, and pursues diversity in both the Board level and Senior Management.</p> <p>As of the financial year ending 31 December 2017, the current Board is consisted of a diversified background and specialisation, collectively bringing with them a wide range of experience and expertise in areas such as business, finance, accounting, auditing, company secretarial, medical, legal and managerial. The profiles of the Directors are provided on pages 8 of the Annual Report 2017.</p>
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company’s policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Applied.	
Explanation on application of the practice	:	<p>The Board is fully supportive of gender diversity and seeks to ensure the mix and profiles of the Board members of NPC in terms of age, ethnicity and gender, ability to provide the necessary range of perspectives, experiences and expertise required are well balanced in order to achieve effective Board stewardship.</p> <p>The Board will continue to review the suitability and credibility of potential women candidates for the Board to reach 30% women participation. However, the Board, especially the Nomination Committee, believes that it is more important to have the right mix of skills, experience and cultural background at the board instead of the percentage itself in order to enable the Board to perform effectively.</p>	
Explanation for departure	:	.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied.
Explanation on application of the practice	:	<p>A Nomination Committee (“NC”) was established by the Board on 22 November 2002. The Committee is entrusted to formally and transparently review annually the Board structure, size and composition; to nominate candidates to fill vacancies; and recommend for re-election of Directors who are retiring. All candidates will be subject to the same requirements and process used for the annual Director assessment. The list of criteria used is provided in Practice 5.1: Directors Annual Review of this Corporate Governance Statement.</p> <p>In addition to those criteria, the NC also undergoes a rigorous discussion and evaluation of candidates’ potential to complement and contribute to the Board dynamic, as well as the Company ethos. Through this Committee, the Board ensures that there is an appropriate induction and training programme for new Board members.</p> <p>The NC is entitled to the services of the Company Secretaries who must ensure all appointments are properly made and all necessary information is obtained from directors, both for the Company’s own records and for the purposes of meeting regulatory requirements.</p> <p>The full Committee met twice during the financial year ended 31 December 2017 with first meeting on 23 February 2017 was to assess the effectiveness of the Board, Board Committees and the contribution of individual directors. The NC was satisfied that the Board remained effective and in the second meeting on 3 April 2017, the NC considered and recommended the re-appointment and retainment of existing Board members. The NC will next review the Board membership during the next scheduled meeting in 2018.</p>
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied.	
Explanation on application of the practice	:	<p>The Nominating Committee (“NC”) comprises two Independent Non-Executive Directors. The members as at the date of the Annual Report 2017 are:</p> <ol style="list-style-type: none"> 1. Mr. Lim Ted Hing (Independent Non-Executive Director) - Chairman 2. Dr. Edmond Fernandez (Independent Non-Executive Director) 	
Explanation for departure	:	.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied.
Explanation on application of the practice	:	<p>In making recommendations and performing its annual review, the Nomination Committee (“NC”) considers the following criteria:</p> <ul style="list-style-type: none"> (a) Commitment to the business and level of participation in the company; (b) Group dynamic of the Board; (c) Suitability and diversity of the abilities, skills, knowledge, expertise and experience contributed to help achieve Company business aims; (d) Technical competencies in areas of specialty; (e) Level of professionalism, ethical standards and integrity; and (f) In the case of Audit Committee members, each member’s ability to discharge responsibilities and functions as required such as the ability to read, analyse and interpret financial statements. <p>The Group has empowered the NC to assess the effectiveness of the Board as a whole, its Committees including the Audit Committee (“AC”), and the contribution of each individual Director. The NC conducts a formal performance evaluation of the Directors, assessment of independence of Independent Directors and performance evaluation for the AC on an annual basis.</p> <p>As part of its review, the NC conducts the assessment using the Independent Directors’ Self-Assessment Checklist and the Directors’/Key Officers’ Evaluation Form guided by the 2nd Edition of the Corporate Governance Guide which is circulated among the Directors at the beginning of each financial year.</p>
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board formed a Remuneration Committee ("RC") in order to promote good corporate governance and sustain long-term value creation among the employees and shareholders of NPC. The RC is responsible for reviewing the Group's compensation policy to ensure alignment of compensation to corporate performance</p> <p>The RC has established a formal and transparent procedure for approving the remuneration of the Board Committees. The remuneration process is reviewed by the RC on an annual basis prior to making its recommendations to the Board for approval.</p> <p>In its review, the RC considers various factors, ensuring that the Executive Directors are appropriately rewarded with due regard to the performance of each Director and the business annual outcome, as well as the fiduciary duties of the Non-Executives Directors, time commitments expected of them and the Company's overall performance. The remuneration package also takes into account both the complexity of the company's business and the scope of the individual's responsibilities.</p> <p>The Board aims to sustain a clear and fair process designed to align the personal objectives of staff with the long term interests of NPC. Strategic measures have been implemented in order to ensure they are aligned to the interests of the Group and its stakeholders. The general incentive structure are designed to meet the following objectives:</p> <ul style="list-style-type: none">• To be in line with the business strategy, objectives, values, long-term goals and interests of NPC;• To be aligned with the principle of protection of customers and investors as well as prevention of conflict of interests;• To enable the Group to attract, develop and retain high-performing and motivated Directors and senior management staff;• To offer a competitive remuneration package which is aligned with the industry;

	<ul style="list-style-type: none"> To encourage the Directors and senior management to continue to perform and create sustainable results and ensure that there is an alignment of interest among the stakeholders, including shareholders, customers and employees. <p>The remuneration and incentives for Independent Directors do not conflict with their obligation to bring objectivity and independent judgment on matters discussed at Board meetings.</p> <p>The remuneration policies and procedures will be published on the Company website (www.npc.com.my) in due course.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Departure.
Explanation on application of the practice	:	
Explanation for departure	:	<p>A Remuneration Committee ("RC") was established by the Board on 22 November 2002. The RC comprises two Independent Non-Executive Directors. The members as at the date of this Annual Report are:</p> <ol style="list-style-type: none">1. Dr Edmond Fernandez (Independent Non-Executive Director) (Chairman)2. Mr. Lim Ted Hing (Independent Non-Executive Director) <p>The Board as a whole determines the remuneration of the Directors, with individual Directors abstaining from decisions in respect of their own remuneration. The RC is delegated with the following duties in accordance with its approved terms of reference:</p> <ul style="list-style-type: none">• To annually review in a formal and transparent manner, the remuneration packages of all the Executive Directors and make recommendations therewith; and• To recommend to the Board the Company's framework for retaining and rewarding the Executive Directors. <p>The Terms of Reference will be published on the Company website (www.npc.com.my) in due course.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied.																		
Explanation on application of the practice	:	<p>The full Committee met once during the financial year. The meeting on 23 February 2017 was to review and recommend revisions to Executive Directors' remuneration for financial year 2017 with regards to the industry norm for remuneration to Executive Directors, the performance of the Group for 2016 and the work scope of the Managing Director.</p> <p>The details of the remuneration for the Directors of the Company during the financial year ended 31 December 2017 are as follows:</p> <table border="1"><thead><tr><th>Directors' Remuneration</th><th>Executive Directors</th><th>Non-Executive Directors</th></tr></thead><tbody><tr><td></td><td>RM'000</td><td>RM'000</td></tr><tr><td>Fees</td><td>40</td><td>40</td></tr><tr><td>Emoluments</td><td>4,046</td><td>371</td></tr><tr><td>Benefits-in-kind</td><td>59</td><td>-</td></tr><tr><td>Total</td><td>4,145</td><td>411</td></tr></tbody></table> <p>A more detailed breakdown, including Directors of company subsidiaries is available on page 24 of the Annual Report 2017.</p>	Directors' Remuneration	Executive Directors	Non-Executive Directors		RM'000	RM'000	Fees	40	40	Emoluments	4,046	371	Benefits-in-kind	59	-	Total	4,145	411
Directors' Remuneration	Executive Directors	Non-Executive Directors																		
	RM'000	RM'000																		
Fees	40	40																		
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Benefits-in-kind	59	-																		
Total	4,145	411																		
Explanation for departure	:	.																		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																				
Measure	:																			
Timeframe	:																			

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure.																				
Explanation on application of the practice	:																					
Explanation for departure	:	<p>The board discloses the top 5 senior management's remuneration of the Group and Company in bands of RM50,000 as below:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">NUMBER OF SENIOR MANAGEMENT</th> </tr> <tr> <th>Group</th> <th>Company</th> </tr> </thead> <tbody> <tr> <td>RM</td> <td></td> <td></td> </tr> <tr> <td>200,001 to 250,000</td> <td>1</td> <td>-</td> </tr> <tr> <td>250,001 to 300,000</td> <td>2</td> <td>1</td> </tr> <tr> <td>300,001 to 350,000</td> <td>1</td> <td>-</td> </tr> <tr> <td>400,001 to 450,000</td> <td>1</td> <td>-</td> </tr> </tbody> </table> <p>The Board is of the opinion that the disclosure of the Senior Management personnel's names and the detailed remuneration package (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group due to confidentiality and to prevent staff from being headhunted by other plantation companies.</p> <p>The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Group, with due consideration to attracting, retaining and motivating Senior Management to manage and run the Group successfully.</p>		NUMBER OF SENIOR MANAGEMENT		Group	Company	RM			200,001 to 250,000	1	-	250,001 to 300,000	2	1	300,001 to 350,000	1	-	400,001 to 450,000	1	-
	NUMBER OF SENIOR MANAGEMENT																					
	Group	Company																				
RM																						
200,001 to 250,000	1	-																				
250,001 to 300,000	2	1																				
300,001 to 350,000	1	-																				
400,001 to 450,000	1	-																				
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																						
Measure	:																					
Timeframe	:																					

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Departure.
Explanation for departure	:	The explanation for departure refers to the aforementioned Practice 7.2.

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied.													
Explanation on application of the practice	:	<p>None of the members of the Audit Committee is the Chairman of the NPC Resource Board. The composition of the Committee and the respective members' designations are as follows:</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Designation</th> <th>Board Directorship</th> </tr> </thead> <tbody> <tr> <td>Lim Ted Hing</td> <td>Chairman</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Dr Edmond Fernandez</td> <td>Member</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>Tan Sri Dato' Sri Koh Kin Lip, JP</td> <td>Member</td> <td>Non-Independent Non-Executive Director</td> </tr> </tbody> </table> <p>The Audit Committee was formed by the Board on 19 March 2002. The Chairman of the Audit Committee, Mr. Lim Ted Hing is a Chartered Accountant with the Malaysian Institute of Accountants (MIA). The Company has complied with the Malaysian Code of Corporate Governance 2017 and Paragraph 15.10 of the Bursa Malaysia Listing Requirements which require that all members of the audit committee should be Non-Executive Directors.</p>		Name	Designation	Board Directorship	Lim Ted Hing	Chairman	Independent Non-Executive Director	Dr Edmond Fernandez	Member	Independent Non-Executive Director	Tan Sri Dato' Sri Koh Kin Lip, JP	Member	Non-Independent Non-Executive Director
Name	Designation	Board Directorship													
Lim Ted Hing	Chairman	Independent Non-Executive Director													
Dr Edmond Fernandez	Member	Independent Non-Executive Director													
Tan Sri Dato' Sri Koh Kin Lip, JP	Member	Non-Independent Non-Executive Director													
Explanation for departure	:	.													
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>															
Measure	:														
Timeframe	:														

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied.	
Explanation on application of the practice	:	<p>In response to the addition of Practice 8.2 in the updated MCCG 2017, a review of the respective Terms of Reference of the Audit Committee, whereby revisions of Terms of Reference will be tabulated for Board's approval. The Terms of Reference of the Audit Committee now provide for the requirement that a former key audit partner is subject to observe a cooling-off period of at least 2 years before he or she could be appointed as a member of the Audit Committee.</p> <p>The amendment to be made is to preserve the independence of the Audit Committee and to avoid any potential disadvantages which may arise in the event that a former key audit partner is deemed to be in advantageous position to exert significant influence over the audit and preparation of the audited financial statements. Prior to date of this revision, there have been no past incidents of non-compliance, as none of the previous Audit Committee members have been key audit partners.</p>	
Explanation for departure	:	.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied.
Explanation on application of the practice	:	<p>Following the inclusion of Practice 8.3 to the MCCG 2017, whereby the Audit Committee ("AC") is to have policies and procedures to assess the suitability, objectivity and independence of the external auditor, the AC enhance the External Auditor Assessment Policy in the AC Terms of Reference, which will be published on the Company website (www.npc.com.my) upon Board's approval in forthcoming meeting.</p> <p>The Policy details the process by which the AC uses to rigorously and formally review the external auditor. The assessment includes:</p> <ul style="list-style-type: none">• the procedures for the selection and appointment of the external auditor, should the AC determine the need for a change of external auditors• the selection criteria for potential candidates to replace existing external auditors; and• the measures for evaluating the existing external auditors' independence. <p>The AC will conduct this review on an annual basis and present its decision to the Board during the Company Annual General meeting. Pursuant to Section 271 (1) of the Companies Act 2016, the Company shall appoint or re-appoint the external auditors of the Company for each financial year. The Board will conduct said appointment or re-appointment at each Annual General Meeting, and the external auditors so appointed shall, hold office until the conclusion of the next Annual General Meeting of the Company.</p>
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Applied.		
Explanation on adoption of the practice	:	The Audit Committee was formed by the Board on 19 March 2002 and comprise solely of Independent Directors as follows:		
		Name	Designation	Board Directorship
		Lim Ted Hing	Chairman	Independent Non-Executive Director
		Dr Edmond Fernandez	Member	Independent Non-Executive Director
		Tan Sri Dato' Sri Koh Kin Lip, JP	Member	Non-Independent Non-Executive Director
Explanation for departure	:	.		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
Measure	:			
Timeframe	:			

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied.
Explanation on application of the practice	:	<p>All members of the audit committee are financially literate and one member of the audit committee is a member of the Malaysian Institute of Accountants (MIA).</p> <p>The members of the Audit Committee have the relevant accounting and finance experience and skills, as well as other relevant fields of expertise. They are highly-qualified, and have the depth and breadth of knowledge to review the accuracy of the financial statements for the Group and also the Company, and reporting their findings prior to recommending the same to the Board for approvals. Full profiles of each member are available in the Directors' profile section on page 9 of the Annual Report 2017.</p> <p>The Board reviews the term of office and performance of the Audit Committee and each of its members at least once every 3 years, to determine whether such audit committee and members have carried out their duties in accordance with their Terms of Reference. The Audit Committee Evaluation Questionnaire and the Audit Committee Members' Self and Peer Evaluation Form from the 2nd Edition of the Corporate Guidance Guide are circulated to the Audit Committee members, and are then used by the Board to review their Committee membership remains effective in enabling the Committee to collectively perform its duties.</p> <p>In the financial year ending 31 December 2017, the Audit Committee members underwent continuous professional development and training to keep themselves abreast with any updates in their respective fields, including:</p> <ul style="list-style-type: none">• Premier Wealth Market Talk organised by Malayan Banking Berhad (Maybank)• Technical Update on Companies Act in Accounting Standard Directors Training by Deloitte organised by The Daya Group• Effects of Companies Act 2016 on Accountants and Auditors organised by Association of Chartered Certified Accountants (ACCA)• Malaysian Code on Corporate Governance: New Dimension (Roadshow) organised by Securities Industry Development Corporation (SIDC)

	<ul style="list-style-type: none"> Advocacy Sessions to Enhance Quality of Management Discussion & Analysis (“MD&A”) for Chief Executive Officers and Chief Financial Officers of Listed Issuers organised by Bursa Malaysia 	
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board of NPC has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility for the Group's system of internal controls which encompasses risk management practices as well as financial, operational and compliance controls.</p> <p>The Board recognises that it is responsible for reviewing the Group's system of risk management and internal control for its adequacy and effectiveness. There is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group which are present throughout the financial year under review, and the Board ensures that the Company Annual Report and all supporting financial statements are kept up to date. As with any internal control system, controls can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.</p> <p>The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. The Risk Management Framework and Control Self-Assessment has been formalised in compliance with Bursa Malaysia Listing Requirements with emphasis on compliance with the Corporate Governance and Internal Control. The Board reviews the risk management framework annually and the management has been entrusted to continuously monitor the identified principal risks of the Group, evaluate existing controls and formulate the necessary action plans with its respective process owners. The Executive Directors are tasked with the responsibility of continuous monitoring and reviewing strategic directions and significant operational matters of the Group.</p>
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board has established sound risk management practices to safeguard NPC Group's business interests from risk events that may impede the achievement of business strategies and growth opportunities as well as providing assurance to all stakeholders.</p> <p>Scheduled meetings were held at head office and operation sites to identify, discuss and resolve business and operational issues. The Board was aware of, and involved in, when necessary in resolving any significant issues identified at those meetings. The Executive Directors are actively involved in the day-to-day operations of the Group.</p> <p>The Group has a clear organisational and management structure with clearly defined lines of responsibility and delegation of authority. It follows that there is also proper segregation of duties to ensure safe custody of the Group's assets. A hierarchical reporting structure has been established to provide documentary and auditable trail of accountability. The Group's organisation chart includes the Management Committee, headed by the Group Managing Director.</p> <p>The Management Committee meets monthly at head office or operation sites to discuss and review the Group's operations and ensures that they are carried out in accordance with the standards set and expected by the Board. There is a structured and formal employee appraisal system that ensures employees are remunerated based on their performance. The Board has reviewed the Group's budget for the current financial year. The budgeting process includes the preparation of budgets by individual operating units, which are approved at management level and ultimately by the Board. Actual performance and results are monitored against budgets, with reasons for significant variances identified and highlighted to management and the Board for the appropriate corrective measures.</p> <p>The Audit Committee regularly evaluates the adequacy and effectiveness of the Group's internal control systems by reviewing the actions taken on lapses/deficiencies identified in reports provided by both the internal and external auditors. The AC also reviews the internal and external auditors' recommendation and management responses to these recommendations to ensure that they are working adequately and promptly.</p> <p>The Statement on Risk Management and Internal Control which has been reviewed by the external auditors, Ernst & Young Malaysia, furnished on pages 35 to 36 in the Annual Report 2017 provides an overview of</p>

	<p>the state of risk management and internal control within the Group governed by the Risk Management Framework. The external auditors reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls within the Group.</p> <p>This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 25 April 2018.</p>	
Explanation for departure	:	.
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Applied.
Explanation on adoption of the practice	:	The Board assumes its responsibility for ensuring the maintenance of a sound system of internal control and risk management. This is supported by a Group Management Committee ("GMC") to determine the Group's level of risk tolerance and actively identify, assess and monitor key business risks to deliver long term shareholders value without compromising the interests of minority shareholders and other stakeholders. The details of the Risk Management and Internal Control Framework are set out in the Statement on Internal Control and Risk Management of the Annual Report 2017.
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board of NPC Group placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment. Ongoing reviews are performed throughout the year to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Group's independent and sufficiently resourced internal audit function as well as the Company's management team.</p> <p>With respect to the internal audit function, the Audit Committee's duties as disclosed in Audit Committee Report on page 31 of the Annual Report 2017.</p> <p>The Board remains assured that the Company internal audit function remains effective and is able to function independently.</p>
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board remains committed towards continuous improvement and enhancement of its internal controls to ensure that there is increased certainty of the achievement of business objectives, thus enhancing the shareholders' value. The Group has outsourced its Internal Audit function to JETA PLT (formerly known as FS Chen & Associates), an independent accounting firm which reports directly to the Audit Committee. The internal audit was carried out based on the Internal Audit plan that was reviewed by the Audit Committee and approved by the Board of Directors.</p> <p>The amount of internal audit fees payable to the internal auditors for the financial year ending 31 December 2017 was RM13,000. In previous financial year, the Group has set up an in-house internal audit team to ensure that the internal control of the operations both Sabah and Indonesia is in place. The in-house internal audit team also reports directly to the Audit Committee. The risk-based internal audit approach has examined, evaluated and ensured compliance with the Group's policies, procedures and system of internal controls. It has also evaluated the effectiveness of the internal control system and assessed the consequences of any potential risks and suggested any improvements required.</p> <p>The internal audit function is independent of the activities or operations of other operating units. Both the outsourced and in-house internal auditors are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied.
Explanation on application of the practice	:	<p>NPC Group values its relationship with its shareholders and various stakeholders and ensures that its communication is transparent, timely and with quality disclosure. The Group engages all its stakeholders through several platforms including the announcements via its Company website (www.npc.com.my), which has a Bursa link that leads to further company disclosures on its company Bursa Malaysia webpage (http://www.bursamalaysia.com/market/listed-companies/list-of-companies/plc-profile.html?stock_code=5047).</p> <p>NPC Group seeks to encourage effective participation from shareholders to facilitate greater understanding of the Company's business, governance and performance. The Board understands that the AGM is the principal forum for dialogue with shareholders. Hence opportunities will be made for shareholders to raise questions pertaining to the business activities of the Group.</p> <p>Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved. In respect of re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.</p> <p>Shareholders who are looking to seek clarification, have further enquiries or wish to raise any concerns are encouraged to directly contact the corporate website, as well as through the email and phone number provided before the commencement of the general meetings. These enquiries will be read out and answered at the general meetings. At the commencement of the general meetings, the chairman of the meetings will inform shareholders of their right to demand a poll vote for each agenda. Answers to the enquiries will also be posted on the corporate website as soon as practicable after the general meetings.</p> <p>During the financial year ending 31 December 2017, the Board ensured the supply of clear, comprehensive and timely information to the stakeholders by publishing the yearly Annual Report, quarterly financial results and various other disclosures.</p>
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Not applicable	
Explanation on application of the practice	:	.	
Explanation for departure	:	NPC Group has yet to adopt integrated reporting based on the globally recognised framework. As this is the first year the Group incorporates the new practices MCCG 2017, it is still continuing to include the extensive addition of the new practice into its reporting system. The Board aims to adopt integrated reporting in the near future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	NPC Group will take the necessary measures to comply in the future. Efforts have been put in place to enhance the disclosures in the Group Annual Report towards adopting the integrated reporting framework.	
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied.	
Explanation on application of the practice	:	<p>The Date of Annual General Meeting for the year ending 31 December 2016 was 25 May 2017. The notice for the AGM was issued on 26 April 2017 which was 29 days prior to the date of the AGM, in keeping with the 28-day requirement of Practice 12.1 of the MCCG 2017.</p> <p>The additional time given to shareholders allows them to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys. More importantly, it enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.</p>	
Explanation for departure	:	.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied.
Explanation on application of the practice	:	All Directors attended the Company's 17 th Annual General Meeting held on 25 May 2017. The Chair of the Audit, Nominating, and Risk Management Committees provided meaningful answers to questions addressed to them. Other members of Senior Management, as well as the Company's external auditors were also present at the AGM and were available to respond to the questions addressed to them.
Explanation for departure	:	.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Not applicable	
Explanation on application of the practice	:	.	
Explanation for departure	:	<p>Not applicable to the Company in view that NPC does not have large number of shareholders, has not in the past held meetings in remote locations and has no intentions to hold General Meetings in remote locations.</p> <p>Currently, NPC provides Proxy Forms for the shareholders who are unable to be present at General Meetings to sign in advance, which entitles them to appoint one (1) but not more than two (2) proxies to attend the Meeting and vote on their behalf.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board will consider introducing the system of electronic voting (e-voting), or any other more technologically advanced modes of voting in order to facilitate the voting process for all shareholders should the need for it arise in the future.	
Timeframe	:		