



UNITED PLANTATIONS BERHAD

(Company no. 191701000045 (240-A))

Jendarata Estate • 36009 Teluk Intan • Perak Darul Ridzuan • Malaysia

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Corporate Governance Overview Statement

(GRI 102-18, GRI 102-23, GRI 102-24, GRI 102-25 to 28, GRI 102-11, GRI 102-30, GRI 102-31)

The Board of Directors recognizes the importance of good corporate governance and continues to be committed to ensure that high standards of corporate governance are practiced throughout the Group to deliver long term sustainable value to the shareholders and other stakeholders. With the publication of Malaysian Code on Corporate Governance 2017 (MCCG 2017) and in accordance to the guidance given by Bursa through its circular titled “Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements” dated 29 November 2017, the Board of Directors are pleased to present the corporate governance overview statement. The detailed explanation on the application of the corporate governance practices are reported under Corporate Governance Report (“CG Report”) as published in the Company’s website.

The Company as at the date of this Corporate Governance Overview statement has applied all of the practices in MCCG 2017 except for the followings:

Practice 4.1

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

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.

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.

Practice 11.2

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

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.

Please refer to the CG Report for the detailed explanations for the departures and the practices and measures put in place to apply the departed practices. This is our commitment to promote effective governance to support better decision-making and accountability which in turn shall instill stakeholder confidence and trust in the Company. In addition to the above analysis on the compliance of MCCG 2017, to further strengthen the Corporate Governance practices, the Company has adopted the following practices in the financial year 2018.

A) Board Charter

The Board Charter sets out the Board's strategic intent and outlines the Board's roles and responsibilities. The Charter elaborates the fiduciary and leadership functions of the Board and serves as a primary reference for prospective and existing Board members and senior management. The Charter is reviewed periodically to ensure it complies with current legislation and best practices. The Board Charter was reviewed and updated on 24 February 2018 and can be viewed at the Company's website at www.unitedplantations.com.

B) Strengthen Composition

Specific responsibilities are delegated to Board Committees where appropriate. The Board Committees comprise Nomination Committee, Remuneration Committee, Audit Committee and Executive Committee. Each Committee operates within its respective Terms of Reference which have been approved by the Board.

B1.1 Nomination Committee (GRI 102-24)

The Nomination Committee is responsible to make recommendations to the Board regarding the appointment of directors, evaluation of the skills, experience, competencies of the Directors, diversity of the Board's composition. The Nomination Committee consists of 3 members, who are all Independent, Non-Executive Directors. The full report of the Nomination Committee can be found from pages 155 to 156 of this Corporate Governance Overview Statement 2018.

B1.2 Remuneration Committee and Directors Remuneration

(GRI 102-35, GRI 102-36, GRI 102-37)

The Remuneration Committee consists entirely of three (3) non-executive directors, all of whom are independent Directors. Its primary function is to review and recommend the remuneration for the Company's executive directors.

The members of the Remuneration Committee are stated herebelow:-

Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman)
(Independent, Non-Executive Director)

Y. Hormat Dato' Jeremy Derek Campbell Diamond
(Independent, Non-Executive Director)

Mr. R. Nadarajan
(Independent, Non-Executive Director)

It is the Remuneration Committee's usual practice to draw information on the Company's remuneration policy from the Executive Committee to assist them with their duties. Executive directors do not participate in the deliberations of the Remuneration Committee.

Only the executive directors have contracts of service which are normally reviewed every three years. The executive directors' salaries are linked to their position, seniority, experience and the Company's overall profitability which would vary from year to year. The salary components are determined in accordance with the Company's established remuneration policy for executive directors. The remuneration packages are sufficiently attractive to attract and retain executive directors. All directors are paid annual fees. The Chairman and members of the Audit Committee receive additional fees taking into account the nature of their responsibilities. Members of other Board committees do not receive any additional fees. The directors' fees are reviewed by the Board only when it deems necessary, subject however to approval by the shareholders at the A.G.M.. The amount is related to their level of responsibilities. Periodical review of the fees is undertaken based on market information on directors' fees. A fixed meeting attendance allowance is paid for all attendances at Board and Board Committee meetings except for the Executive Committee meetings.

The Remuneration Committee held one (1) meeting during the financial year ended 31 December 2018 to deliberate on the new service contract of one (1) of the executive directors and made their recommendation to the Board. The aggregate remuneration for the year for the following directors are as shown in the table below.

	Directors' Fees		Basic Salary (RM)	Additional Remuneration (RM)	Bene- fits-in Kind (RM)	Other Bene- fits (RM)	Meeting Attendance Allowance (RM)	Total (RM)
	Company (RM)	Subsidiaries (RM)						
Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman, Independent, Non-Executive)	165,000	-	-	-	-	-	10,500	175,500
Ybhg. Dato' Carl Bek-Nielsen (Chief Executive Director)	100,000	28,000	240,000	1,480,000	56,649	324,340	7,500	2,236,489
Mr. Ho Dua Tiam (Executive)	100,000	-	153,600	1,070,450	41,735	208,568	7,500	1,581,853
Mr. Ahmad Riza Basir (Independent, Non-Executive)	110,000	-	-	-	-	-	16,500	126,500
Y. Hormat Dato' Jeremy Derek Campbell Diamond (Independent, Non-Executive)	120,000	-	-	-	-	-	19,500	139,500
Mr. Martin Bek-Nielsen (Executive)	100,000	23,000	228,000	1,378,500	53,190	305,245	7,500	2,095,435
Mr. Loh Hang Pai (Executive)	100,000	-	136,800	669,600	29,205	145,920	7,500	1,089,025
Mr. R. Nadarajan (Independent, Non-Executive)	110,000	-	-	-	-	-	19,500	129,500
Madam Rohaya binti Mohammad Yusof (Non-Independent, Non-Executive)	100,000	-	-	-	-	-	7,500	107,500
Mr. Jorgen Belle (Non-Independent, Non-Executive) wef 21.05.2018	61,290	-	-	-	-	-	3,000	64,290
Total	1,066,290	51,000	758,400	4,598,550	180,779	984,073	106,500	7,745,592

B1.3 Audit Committee

The Audit Committee consists entirely of three (3) non-executive directors as required under the Main Market Listing Requirements, all of whom are independent directors.

The Terms of Reference includes scope, functions and activities. The activities of the Audit Committee during the financial year 2018 have been described at length in a separate statement in this Annual Report. (pages 151 to 154).

B1.4 Executive Committee

The Executive Committee consists of executive directors only. The scope, functions and activities are given in the Terms of Reference approved by the Board.

It is responsible to oversee the day-to-day management of the Group's operations which include review of the annual revenue and capital budgets before presenting to the Board, reviewing the monthly, quarterly and annual results of the Company and Group and comparing them with the respective business units budgets and taking remedial actions for budget variances, implement policies and procedures approved by the Board, implement recommendations of the Audit Committee, identify key risks annually and implement mitigating actions where practicable, recommend expansion and diversification plans, implement policies for succession, labour recruitment, replanting and replacement of plant and machinery, and the review of research policies and projects.

The Executive Committee has established the Group Sustainability Committee which reviews sustainability issues concerning the environment, social/community, employees and market place. The Sustainability Report has been included in a separate statement in this Annual Report.

The Executive Committee has access to the services of the Company Secretary who records and maintains minutes of Executive Committee meetings.

The Executive Committee met formally 3 times during the year 2018, and the minutes thereof were included in the Board files for information and deliberation by the Board.

All the executive directors attended all 3 meetings. The Executive Committee also met informally to deal with matters that required prompt response and decisions.

C. Reinforce Independence

C.1 Board Balance and Independence of Directors

The Company has an effective Board entrusted with leadership responsibilities by its shareholders. It is headed by a Chairman who is independent of management and whose key role is the stewardship of the Board.

The Chief Executive Director on the other hand is the head of management whose key responsibilities are to run the business and implement the policies and strategies approved by the Board. Due to their contrasting roles at the head of the Company, the two roles are not combined.

Following this division of responsibilities at the head of the Company we have in the Board's composition included a balance of executive and independent non-executive directors so that no one group would dominate the decision making process.

For the financial year 2018, your Board consists of ten (10) directors, four (4) of whom are executives who have an intimate knowledge of the business. Amongst the remaining six (6) non-executive directors, four (4) of them are independent directors. The Board is satisfied that the current board size fulfills its requirements adequately.

The composition of the Board reflects a mix of skills and experience and other qualities which non-executive directors should bring to the Board. Due to the diversified backgrounds and their independence, the non-executive directors are ably engaged in healthy discussions and debates with the executive directors at the Board meetings which are conducive for an effective Board.

The independent directors play a pivotal role in the Board's responsibilities. However, they are not accountable and responsible for the day to day running of the business, which is the role of the executive directors.

The independent non-executive directors are actively involved in various Board committees and contribute significantly to areas such as performance monitoring and enhancement of corporate governance by providing independent assessment and opinions on proposals put forward by the executive directors and act as a check and balance for the executive directors.

The Board has established a formal and transparent policy for the role of the executive and non-executive directors.

Biographies of the Directors as given in this Annual Report, show the necessary depth to bring experience and judgment to bear on the collective decision making processes of the Board.

The Board's composition fairly represents the ownership structure of the Company with appropriate representatives from the two largest shareholders. There are adequate number of representatives on the Board who fairly reflect the interests of the minority shareholders.

The Board has established position descriptions for the role of each of the executive director who has specific management responsibilities for the day to day running of the business.

The Company has included a Group Philosophy Statement in the inside cover of this Annual Report and it has clearly described its objectives in the statement on sustainability to which the Board is deeply committed.

One of the recommendations of the MCCG 2017 states that the tenure of an independent director should not exceed a cumulative term of nine (9) years.

However, the Nomination Committee and the Board have determined at the annual assessment carried out that Tan Sri Datuk Dr. Johari bin Mat and Dato' Jeremy Derek Campbell Diamond who has each served on the Board for seventeen (17) years and Mr. Ahmad Riza Basir who has served on the Board for eighteen (18) years, remain objective and independent in participating in the deliberations and decision making of the Board and Board Committees.

The length of their service on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging their roles, in the case of Tan Sri Datuk Dr. Johari bin Mat, as Chairman of the Board, Chairman of the Remuneration Committee and Chairman of the Nomination Committee, in the case of Dato' Jeremy Derek Campbell Diamond as the Chairman of the Audit Committee as well as the member of the Remuneration and Nomination Committees, and in the case of Mr. Ahmad Riza Basir as the member of the Audit Committee.

Each of the above three (3) independent directors has provided an annual confirmation of his independence to the Nomination Committee and the Board. The Board has recommended the continuation of these 3 directors as independent directors of the Company as the Board believes that it is in the best position to evaluate and determine whether any independent director can continue acting in the best interest of the Group and bringing unbiased and professional judgement to Board deliberations.

The Board has to balance the need to continue with Directors who have intimate knowledge of the Group's business and fresh perspective which new candidates may bring.

The Board has re-assessed the timeline set in the previous year on limiting the tenure of the independent Board members and views that with the recent expansion of the Group's business following the acquisition of the additional plantation land, the Group will require a stable board, particularly of Independent Directors who have a good understanding of the Group's core business operations, to strategize the new development and bring it to fruition in the next 4-5 years.

As such, the Board has moved the timeline for limiting the tenure of the independent directors from end 2021 to end 2023. This will allow the Board to concentrate on the business operations to enhance the value of the Group.

The Nomination Committee recognized that the Board diversity should be in tandem with expertise, experience and skills and not gender alone. It also took note that the recommendation in the MCCG 2017 is only a guideline and not mandatory.

The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximize the effectiveness of the Board.

Although the Company does not have a formalised Board gender diversity policy alongside targets and measures, the issue of diversity is discussed and given prominence during deliberations by the Nomination Committee and the Board.

The appointment of Puan Rohaya binti Mohammad Yusof to the Board on 30 November 2017 in place of Dato' Mohamad Nasir Bin Ab. Latif represents the Board's commitment to consider women directors on the Board.

The Board shall increase woman board representation as and when there is vacancy as well as when suitable and qualified candidates are identified.

D. Foster Commitment

The Non-Executive Directors are expected to commit approximately 30 to 45 days in a year of his time to the Group.

Time spent include not only formal board meetings but also Board committees, discussion with management, dealing with the authorities, professional and education and Company functions.

The Board is satisfied with the level of time commitment given by each of the directors towards fulfilling their roles on the Board and Board Committees.

The Board meets not less than four (4) times a year to review and approve the quarterly results for announcements. The Board meetings for the ensuing year are fixed in advance. Notice of meetings and the agenda are given in a timely manner.

Standard matters set out in the agenda for the Board meetings are as follows:-

- 1) Matters arising from the previous minutes of the Board and Committees of the Board
- 2) Monthly, Quarterly and Yearly Financial Statements and financial forecasts/projections
- 3) Matters relating to the business namely finance, land matters, staff & labour, succession planning, budgets, production, marketing and others
- 4) New Investments
- 5) Subsidiary Companies
- 6) Sustainability Issues
- 7) General

During the year under review five (5) Board meetings were held and the directors' attendances thereat are summarized herebelow:-

Directors	No. of Meetings	
	Attended	Held
Ybhg. Tan Sri Datuk Dr. Johari bin Mat -Chairman	5	5
Ybhg. Dato' Carl Bek-Nielsen	5	5
Mr. Ho Dua Tiam	5	5
Mr. Ahmad Riza Basir	5	5
Y. Hormat Dato' Jeremy Derek Campbell Diamond	5	5
Mr. Martin Bek-Nielsen	5	5
Mr. Loh Hang Pai	5	5
Mr. R. Nadarajan	5	5
Madam Rohaya binti Mohammad Yusof	5	5
Mr. Jorgen Belle	2*	5

* Since his appointment on 21 May 2018.

The directors are also mindful of their continuous training requirements. Directors are encouraged to attend various external and internal professional programs relevant and useful in contributing to the effective discharging of their duties as directors.

The Company Secretary facilitates programme registration for interested directors and would maintain such records of the programmes and their attendance thereat. All directors are allowed to choose courses/seminars of relevance in discharging their duties.

The Board, with the input from the Company Secretary, assessed the training needs of individual directors and satisfied that all directors have met their training needs. Relevant training programmes, seminars and conferences attended by Directors during the financial year ended 31 December 2018 were:

- 1) Bursa Malaysia's Annual Palm & Lauric Oils Conference & Exhibition: Price Outlook 2018 (POC 2018) - 5-7 March 2018
- 2) Corporate Governance Briefing – MSSG Reporting & CG Guide-28 February 2018
- 3) Audit Committee Institute Breakfast Roundtable 2018 by KPMG - 19 March 2018
- 4) Introduction to Corporate Liability Provision by MICG – 6 September 2018
- 5) Mandatory Accreditation Programme (MAP) by Bursa Malaysia -12 to 13 November 2018
- 6) Roundtable on Sustainable Palm Oil (RT16)-12 to 15 November 2018

E. Integrity in Financial Reporting

The Board in compliance with paragraph 15.26a of Bursa Malaysia's Main Market Listing Requirements issues a Statement explaining its responsibility for preparing the annual audited financial statements. The Board is required by law to prepare financial statements for each financial year which will give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year in a manner which is comprehensive and transparent. In the preparation of the financial statements, the directors will consider compliance with all applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act 2016.

E.1 Internal Control

The Board recognizes its responsibility for the group's system of internal controls. In this connection, the Audit Committee conducts an annual review of the adequacy and effectiveness of the system of internal controls and renders a statement to the shareholders to this effect. In this connection, the Audit Committee is assisted by an in-house internal audit department and an external independent professional firm who conduct regular reviews of the internal controls and report to the Audit Committee directly. The external auditors are appointed by the Board to review the Statement of Internal Control and to report thereon.

E.2 Relationship with the Auditors

The Board maintains a formal procedure of carrying out an independent review of all quarterly reports and annual audited financial statements by the Audit Committee, at its meetings. The external auditors and representatives of the management are present to answer questions and provide explanations to the Audit Committee.

The activities of the Audit Committee have been described at length in a separate statement given in this Annual Report.

F. Recognize and Manage Risks

The Board, assisted by the Audit Committee, reviews the risk management policies formulated by management, headed by the Executive Director, Finance & Marketing, and makes relevant recommendations to the management. The Group continues to maintain and review its internal control policies and procedures to ensure, as far as possible, to protect the Group's assets.

The Board has established internal audit function, complimented by an in-house team and an external professional firm. Both the internal audit teams report direct to the Audit Committee.

Details of the Group's internal control system and framework are set out in the Statement on Risk Management and Internal Control.

G. Timely and High Quality Disclosures

The Group has in place a procedure for compliance with the Listing Requirements. The Company Secretary reviews all announcements to ensure accuracy and compliance. The Board reviews and approves all quarterly and other important announcements. The Board is mindful that information which is material is announced immediately.

The Group has designated executive directors as spokespersons in the handling of discussions and disclosures with investors, fund managers and the public.

The Company has a website www.unitedplantations.com where all the Company's announcements, corporate information and updates are posted.

H. Strengthen Relationship Between the Company and Shareholders

H.1 Communications and Investor Relations

The Board acknowledges the need for an effective communication policy with shareholders and investors as the same intimate relationship that exists with management is usually lacking with shareholders with the exception of the controlling shareholders who are represented on the Board. The Company's website: www.unitedplantations.com and the stock exchange websites: www.bursamalaysia.com. are used as a forum to communicate with shareholders and investors where they can access corporate information, company's announcements, corporate proposals, quarterly and annual reports, etc.

The Company's executive directors hold bi-annual briefings at its Headquarters with institutional investors, market analysts and fund managers. Questions relating to these announcements can be directed to Dato' Carl Bek-Nielsen, Chief Executive Director and Mr. Martin Bek-Nielsen, Executive Director (Finance & Marketing).

Besides the above, the Board believes that the Company's Annual Report is a vital source of essential information for shareholders and investors and other stakeholders. The Company strives to provide a high level of reporting and transparency as an added value for users.

H.2 The Annual General Meeting (A.G.M.)

The A. G. M. is an excellent forum for dialogue with all shareholders for which due notice is given. The shareholders are given the opportunity to vote on the regular businesses of the meeting, viz. consideration of the financial statements, consideration and approval of a final dividend, consideration and approval of directors and auditors fees, re-election of directors and special business if any.

The Chairman explains the voting procedure before the commencement of the A.G.M. The shareholders present are given the opportunity to present their views or to seek more information. The resolutions passed at the meeting are released to Bursa Malaysia in a timely manner.

Kindly take note that pursuant to paragraph 2.19 of the Main Market Listing Requirements and Article 162 of the Company's Constitution and in line with UP's "Go Green" initiatives, the Notice of A.G.M, Proxy Form and Circular to Shareholders can be downloaded from our website at www.unitedplantations.com.

All Board members, Senior Executives from the Finance Department and the External Auditors are present to respond to questions from the shareholders during the A.G.M..