

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of PPB Group Berhad is committed to maintaining a high standard of corporate governance and ensuring that effective self-regulatory controls exist throughout PPB and its subsidiaries ("the Group") to safeguard the Group's assets. The Board recognises that good corporate governance encompasses four key areas namely transparency, accountability, integrity and corporate performance.

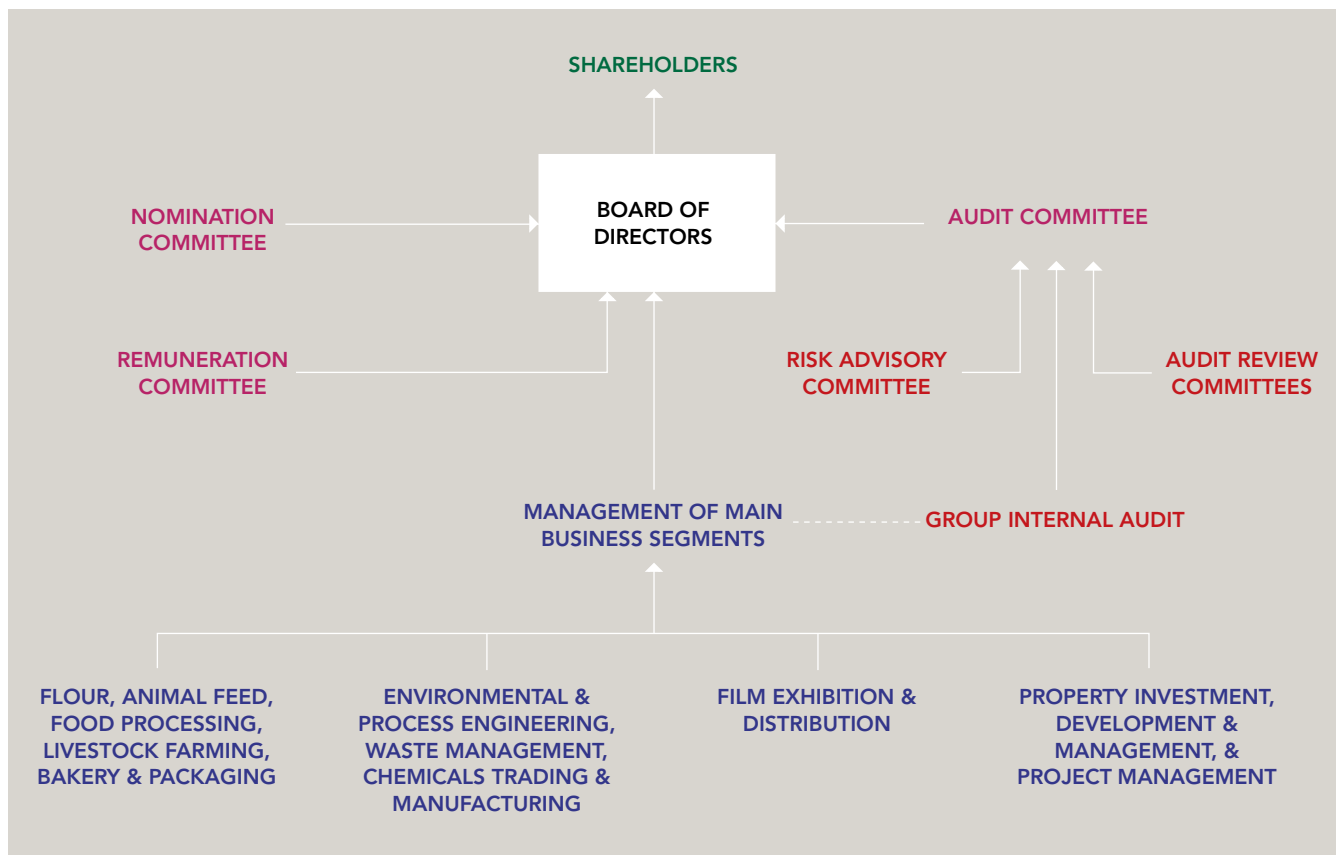
This statement describes the manner in which PPB has applied the corporate governance principles and extent of compliance with the recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG").

The statement outlines the Group's main corporate governance practices and policies in place during the financial year and at the date of this statement, through discussion of :

- i. Clear roles and responsibilities;
- ii. Strengthen composition;
- iii. Reinforce independence;
- iv. Foster commitment;
- v. Uphold integrity in financial reporting;
- vi. Recognise and manage risks;
- vii. Ensure timely and high quality disclosure; and
- viii. Strengthen relationship between Company and shareholders.



CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE STATEMENT

CLEAR ROLES AND RESPONSIBILITIES

BOARD RESPONSIBILITIES AND DUTIES

The Board is responsible for the overall performance and effective control of PPB Group, as well as setting and reviewing the strategic direction of the Group and monitoring the implementation by management of that strategy including :

- Approving the strategic direction of the Group;
- Overseeing the conduct of the Group's businesses;
- Overseeing allocation of Group resources and monitoring the financial performance of the Group;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Monitoring and reviewing the Group's risk management system and internal control; and
- Overseeing the development of an investor relations policy for the Company for effective communication with shareholders.

The Board has delegated specific responsibilities to three Board committees, namely the Audit, Nomination and Remuneration Committees, which operate within approved terms of reference. These committees have authority to examine particular issues and report to the Board with their findings/ recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

BOARD CHARTER

An updated board charter adopted in 2014 sets out matters reserved for the Board's decision and outlines the Board's roles and responsibilities. Together with the Group's strategic plan, the charter also serves as a source of reference and primary induction literature, providing insights to new Board members. The charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations which may impact the discharge of the Board's responsibilities.

The Group's strategic plan covers the four main business segments, and its aims are to :

- align the Group's business activities towards the achievement of its vision and objectives;
- provide a framework within which the businesses can operate and develop;
- help management monitor and actualise investments, project development plans and prospects; and
- facilitate discussion with stakeholders on the companies' businesses.

The strategic plan is regularly reviewed and updated to reflect changes related to the Group's environmental influences, opportunities and concerns.

There is a schedule of matters specifically for the Board's decision, including amongst others, the overall Group strategy and direction, approval of financial results, corporate plans and budgets, material acquisitions and disposals of assets, and major investments. This ensures that the governance of the Group is in the Board's hands. A Group-wide code of ethics and code of conduct, including a whistleblower policy has been adopted, and being incorporated in employee handbooks. The code of conduct sets out the minimum standards of conduct and personal behaviour to maintain a uniform set of values and ethics within the Group. The whistleblower policy is designed to enable employees to raise concerns without fear of retribution as well as to provide a transparent and confidential process for dealing with concerns.

The Chairman represents the Board to shareholders and together with the Board, reviews and approves the strategic objectives and policies of the Group. The Chairman also ensures that management proposals are deliberated by Directors taking into account the interests of shareholders and other stakeholders.

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The Managing Director is responsible for overseeing the development and operations of the Group's businesses, and implementing corporate strategies and objectives adopted by the Board. His other responsibilities include pursuing growth in the Group's operational and financial performance, ensuring that appropriate risk management and compliance procedures are in place, and overseeing human capital management. The independent non-executive Directors provide a balance of power and authority on the Board, with unbiased and independent views to safeguard the Company's interests.

BOARD COMPOSITION

There are seven Directors on the Board, comprising six non-executive Directors, of whom three are independent, and the Managing Director.

Recommendation 3.5 of MCCG states that where the Chairman of the Board is not an independent Director, the board must comprise a majority of independent directors. Although PPB has departed from Recommendation 3.5, the Board believes that the interests of the Company and its shareholders can be served by a Chairman and a team of Board members who act collectively in the overall interest of the Company and shareholders.

Collectively, the Directors bring to the Board a range of business, experience, financial and technical expertise for effective oversight of the Group's diversified businesses, and to fulfill the Board's duties and responsibilities. The Directors' profiles are presented on pages 38 to 41 of this Annual Report.

There is no formal board or management succession policy in the Company. The Group recognises the importance of identifying and developing potential leaders and managers to fill key positions in the Group, from both internal and external sources. This is an on-going process applicable not only at the board but at other levels, based on the Group's long and short term needs in terms of skills, expertise, knowledge and experience.

ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, Directors who are appointed by the Board are subject to election by shareholders at the next annual general meeting following their appointment. The Articles also provide that one third of the Board including the Managing Director shall be subject to re-election annually and each Director shall stand for re-election at least once every three years.

BOARD COMMITTEES

The three Board Committees assist the Board in its oversight functions. The functions of the Committees are governed by their respective terms of reference, which are reviewed periodically to ensure that they are relevant and up-to-date. The three Board Committees are as follows :

- Audit Committee
- Nomination Committee
- Remuneration Committee

The Committees submit reports of their respective deliberations and recommendations to the Board. Their deliberations and recommendations are minuted, and confirmed by the respective Committees.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

All three members of the Audit Committee ("AC") are non-executive Directors, of whom two are independent. They are Mr Soh Chin Teck (Chairman), Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid (both Independent) and Madam Tam Chiew Lin.

The principal functions of the AC include the following :

- Ensure that the financial statements comply with applicable financial reporting standards, and to assess the suitability and independence of external auditors.
- Assess the effectiveness of the Group's enterprise-wide risk management and internal control framework.

A description of the AC's activities during the year are set out in the Audit Committee Report on pages 59 to 62 of the Annual Report. The terms of reference of the AC can be viewed on PPB's website at www.ppbgroup.com.

Nomination Committee

The Nomination Committee ("NC") comprises entirely of three non-executive Directors of whom two are independent. They are Encik Ahmad Riza bin Basir (Chairman), Datuk Ong Hung Hock and Mr Soh Chin Teck.

The activities of the NC in respect of the year 2016 included the following :

- Reviewed the structure, size and composition of the Board.
- Reviewed the required mix of knowledge, expertise, experience and other qualities of the Directors necessary to carry out their duties and responsibilities.
- Assessed the effectiveness of the Board as a whole, the committees of the Board and the performance and contribution of the Directors. The NC's assessment was based on a board performance self-assessment form completed by the Directors.
- Reviewed the term of office and performance of the Audit Committee and its members.
- Recommended to the Board candidates for re-election and re-appointment by shareholders.

Decisions on Board appointments are made by the Board after considering the Committee's assessment of the candidate and recommendation thereon. The criteria for the evaluation of candidates for appointment as Directors include their qualification, occupation, experience, other directorships, and the Company's requirements. The NC held two meetings during the financial year ended 31 December 2016.

Remuneration Committee

The members of the Remuneration Committee ("RC") are Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid (Chairman, and independent Director), Tan Sri Datuk Oh Siew Nam and Madam Tam Chiew Lin. The RC held two meetings during the financial year ended 31 December 2016.

The principal functions of the RC during the year were as follows :

- Reviewed the remuneration packages of executive Directors which reflect market rates, sustained individual performance, job responsibilities and the Group's performance.
- Recommended the executive Directors' remuneration based on their performance and in line with corporate objectives.

CORPORATE GOVERNANCE STATEMENT

BOARD MEETINGS

The Board meets at least five times a year, with additional meetings held if required or when decisions on urgent matters are required between scheduled meetings.

During the year ended 31 December 2016, the Board met six times and the record of the attendance of each Director is set out below :

Name of Director	Number of meetings attended	% of attendance
Tan Sri Datuk Oh Siew Nam	6	100
Lim Soon Huat	6	100
Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	6	100
Datuk Ong Hung Hock	6	100
Soh Chin Teck	6	100
Ahmad Riza bin Basir	6	100
Tam Chiew Lin	6	100

SUPPLY OF INFORMATION

The Chairman plays a key role to ensure that Directors have full and timely access to information. The agenda and board papers are issued in sufficient time prior to Board meetings to enable Directors to appreciate the issues to be deliberated upon and where necessary, obtain further explanation. The Board papers include updates on financial, operational and corporate developments of the Group. Directors are briefed at each Board Meeting on the Group's activities and operations by the chief executives of the principal subsidiaries.

In exercising their duties, Directors have access to information within the Company and to the advice and services of the Company Secretary. The Company Secretary also updates Directors on statutory and regulatory requirements relating to the discharge of their duties and responsibilities. Directors can seek professional advice if necessary from external consultants and advisers. The Company Secretary's qualifications and experience are set out on page 44 of the Annual Report.

STRENGTHEN COMPOSITION

The Board strives to achieve a balance of skills, experience, diversity and perspective amongst its Directors. A review of the size and composition of the Board is conducted annually, including the required mix of skills, competencies and experience relevant to the PPB Group businesses. The Board's performance is assessed every year, including an assessment of the independent Directors. The Board assessment was carried out under the following main categories :

- Board composition
- Board roles and responsibilities
- Board meeting procedures
- Effectiveness of the board committees
- Assessment of independent directors

CORPORATE GOVERNANCE STATEMENT

For the year under review, the Board is satisfied with the existing number and composition of its members and is of the view that the Board is able to discharge its duties and responsibilities effectively with the current mix of skills, knowledge, experience and strengths. The Company does not at present have formal policies on independent directors, gender, ethnicity or age. The Board is of the opinion that it is important to recruit and retain the best available talent to optimise the effectiveness of the board and senior management; taking into account the mix of skills, experience, knowledge and independence, and based on the Group's needs and circumstances.

DIRECTORS' REMUNERATION

The Board reviews the overall remuneration of executive and non-executive Directors to attract and retain Directors with the relevant experience and expertise.

The executive Directors' remuneration is structured to link rewards to corporate and individual performance. For non-executive Directors, the level of remuneration reflects their responsibilities. The determination of the non-executive Directors' remuneration is a matter for the Board as a whole subject to shareholders' approval. The Directors are not involved in the approval of their own remuneration package.

The details of the Directors' remuneration on a Group and Company basis for the financial year ended 31 December 2016 are as follows :

Figures in RM'000	Executive Director		Non-executive Directors	
	Group	Company	Group	Company
Salary	882	882	984	-
Fees	22	-	885	880
Meeting allowances	1	1	71	71
Bonus	1,300	1,300	1,400	-
Benefits-in-kind	36	36	71	27
Employees Provident Fund	350	350	143	-
Total	2,591	2,569	3,554	978

The aggregate remuneration of Directors on a Group and Company basis analysed into the appropriate RM50,000 bands is as follows :

	Executive Director		Non-executive Directors	
	Group	Company	Group	Company
RM50,000 – RM100,000	-	-	3	4
RM100,001 – RM150,000	-	-	1	1
RM500,000 – RM550,000	-	-	1	1
RM2,550,000 – RM2,600,000	1	1	-	-
RM2,600,001 – RM2,650,000	-	-	1	-

Note: Successive bands of RM50,000 are not shown in entirety as they are not represented.

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REINFORCE INDEPENDENCE

The Board considers the importance of significant representation by Directors who make decisions in the best interest of the Company free from conflicts of interest and influences, and are also independent of management. Independent Directors must be able to exercise their duties and express their views unfettered by familiarity, or business or other relationships.

PPB Board currently consists of three independent non-executive Directors, which is in compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“MMLR”) which requires at least one third of the Board to comprise independent directors. The independence criteria observed by the Company broadly encapsulate independence from management and absence of conflicting business relationships which could interfere with the independent Director’s judgement and contribution to Board deliberations, or interfere with the Director’s ability to act in the best interest of the Company. The criteria for independence set out in the MMLR also form the basis for evaluation of independence.

The independent non-executive Directors are persons of calibre and integrity who provide skills, competencies as well as broader views to enhance Board effectiveness. The Board has appointed Dato’ Capt Ahmad Sufian @ Qurnain bin Abdul Rashid as the Senior Independent Non-executive Director of the Board to whom concerns of the Group may be conveyed.

CONFLICT OF INTEREST

Over and above the matter of independence, each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transaction, or matter which comes before the Board. Such a situation may arise from external associations, interests or personal relationships. Directors are required to disclose any interest in a transaction, and abstain from deliberations and decisions of the Board on the subject.

FOSTER COMMITMENT

COMMITMENT BY THE BOARD

Directors are expected to commit sufficient time to carry out their responsibilities. Nominees for appointment as Directors disclose to the Nomination Committee and Board details of their working, business and other interests. In line with the MMLR, all Directors of PPB comply with the limits on directorships in other listed companies.

DIRECTORS’ TRAINING

There is a familiarisation programme for new Board members including, where appropriate, visits to the Group’s businesses and meetings with senior management to facilitate their understanding of the Group’s businesses and operations.

The Directors have access to continuing educational or training courses and seminars to keep abreast with market and regulatory developments. All Directors attended an in-house training session for directors and senior management held in 2016. The topics selected were relevant to the needs of the Group and the Directors, and included the following :

- Update on the Malaysian and regional economies
- Sustainability practices and reporting
- The Companies Bill 2015

CORPORATE GOVERNANCE STATEMENT

In addition, Directors also attended other training sessions during the year as follows :

Name of Director	Title/Subject
Mr Soh Chin Teck	<ul style="list-style-type: none"> • Audit Committee Conference 2016 – Setting the right tone • Tea Talk : Audit management • Enhancing audit quality in the public interest • MIA-MICG Roundtable discussion on proposed draft of the Malaysian Code of Corporate Governance 2016 • Financials hidden in plain sight : Why directors and management need to ask hard questions • Awareness workshop on the Competition Act 2010 • Future of auditor reporting – The game changer for boardroom • Overview on formation of contract, PAM 2006 and CIPAA • Technical updates on MFRS/IFRS 2016 • Corporate governance breakfast series : The cyber security threat and how boards should mitigate the risks • Evolving role of audit committee in governance, risk and control
Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	<ul style="list-style-type: none"> • Awareness workshop on the Competition Act 2010 • Overview on formation of contract, PAM 2006 and CIPAA • Best practices for sustainability reporting – What a company director needs to know
Madam Tam Chiew Lin	<ul style="list-style-type: none"> • Audit Committee Conference 2016 – Setting the right tone • Stewardship matters – For long term sustainability • Financials hidden in plain sight : Why directors and management need to ask hard questions • Overview on formation of contract, PAM 2006 and CIPAA • Leadership excellence from the chair • Technical updates on MFRS/IFRS 2016 • Future financial conference • Corporate governance breakfast series : The cyber security threat and how boards should mitigate the risks • Corporate governance breakfast series : Anti-corruption & integrity – Foundation of corporate sustainability
Encik Ahmad Riza bin Basir	<ul style="list-style-type: none"> • Financials hidden in plain sight : Why directors and management need to ask hard questions • Sustainability engagement series – Customised programmes for directors/chief executive officer of listed issuers • Nominating Committee Programme Part 2 : Effective board evaluations

CORPORATE GOVERNANCE STATEMENT

UPHOLD INTEGRITY IN FINANCIAL REPORTING

FINANCIAL REPORTING

The Board strives to provide a balanced and fair assessment of the Group's financial performance and prospects via the audited financial statements and quarterly financial reports as well as through disclosures in accordance with the MMLR.

The Board is assisted by the Audit Committee to oversee the integrity of the Group's financial reporting and as part of this role, the financial reporting processes. The processes are aimed at providing assurance that the financial statements and related notes comply with applicable financial reporting standards. For the year under review, two sessions were held between the Audit Committee and the external auditors in the absence of management as part of the Company's practice for greater exchange of views in relation to the financial reporting and auditing process.

RECOGNISE AND MANAGE RISKS

INTERNAL CONTROL

The ultimate responsibility for ensuring a sound internal control system and reviewing the effectiveness of the system lies with the Board. The Group's system of risk management and internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Company's corporate objectives as well as to safeguard the Group's assets.

The Statement on Risk Management and Internal Control set out on pages 63 and 64 of this Annual Report provides an overview of the state of risk management and internal controls within PPB Group.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

PPB seeks to release price-sensitive information to Bursa Securities in a timely manner as required under the MMLR, and to the market and community generally through media releases, the website and appropriate channels.

The Company's Corporate Disclosure Policy sets out the disclosure policies and procedures in accordance with the spirit, intention and purpose of the applicable regulatory requirements and obligations prescribed by the MMLR. The policy may be viewed at the Company's website.

INSIDER TRADING

Directors and senior management of PPB are prohibited from dealing in securities if they have knowledge of any price-sensitive information which has not been publicly disclosed in accordance with the MMLR and the relevant regulatory provisions. Prior notification of closed periods for dealing in PPB's securities is circulated to Directors and senior management deemed to be privy to price-sensitive information.

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STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Company endeavours to provide shareholders, the investing community, the media and other stakeholders with accurate, clear, timely and equal access to material information pertaining to the Company's performance and operations.

The Corporate Disclosure Policy provides a framework for the Board, management and relevant staff to communicate effectively with stakeholders and the public generally. The policy encompasses the following objectives :

- raise awareness and provide guidance to the Board and employees of PPB Group on the Company's disclosure obligations and practices;
- provide policies and guidelines in disseminating information to, and in dealing with shareholders, financial analysts, the media, regulators, the investing community and other stakeholders;
- ensure compliance with applicable legal and regulatory requirements on disclosure of material information; and
- build good relations with the investing community to foster trust and confidence.

INVESTOR RELATIONS PROGRAMME

PPB has an active investor relations programme directed at both individual and institutional investors, the objective of which is to maintain ongoing awareness of the Company's performance amongst shareholders, media and the investing community. The investor relations programme focuses on transparency of disclosure and timely dissemination of information.

a. Sources of information

The principal sources of information disseminated by the Company during the year include :

- PPB's Annual Report aims to give readers a comprehensive picture of the Group's businesses and performance for the financial year under review, and provides an overview of the Group's main operations.
- Quarterly Investor Updates designed as e-newsletters are posted on the company website. The Updates contain financial results, reports and articles on the Group's operations as well as significant events during the quarter under review.
- News releases to announce financial results and important events relating to the Group via the local media and company website.
- The Company's website, www.ppbgroup.com where information on the Group, its businesses, financial data, annual reports, and the Investor Updates can be easily downloaded.

b. Direct meetings

PPB's policy is to maintain an active dialogue with shareholders with the objective of giving a clearer picture of the Company's performance. At annual general meetings, shareholders can express their views or raise questions in relation to the Group's financial performance and business operations. Members of the Board as well as the auditors of the Company are present to answer questions raised at the meeting.

The Company conducts analyst briefings twice a year after the half-yearly and final results are released to Bursa Securities to provide regular dialogues between senior management and the investing community. Media conferences are also held together with these briefings for consistent dissemination of information to the public. At these events, the Managing Director of PPB and chief executives of the principal subsidiaries are present to address questions on the Group's businesses.

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At other times, the Company makes every attempt to meet requests for meetings or information from the investing community.

While the Company endeavours to provide as much information as practicable, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

c. Queries and feedback

PPB welcomes inquiries and feedback from shareholders and the investing community. The Corporate Affairs Department of the Company provides investors with a channel of communication through which they can provide feedback to the Company.

Queries and concerns regarding PPB Group may be conveyed to the following persons :

1. Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid, Senior Independent Non-executive Director
Telephone number : 03-27260088
Facsimile number : 03-27260099
2. Ms Koh Mei Lee, Head of Corporate Affairs
Telephone number : 03-27260088
Facsimile number : 03-27260198
Email address : corporateaffairs@ppb.com.my

Tan Sri Datuk Oh Siew Nam
Chairman

Soh Chin Teck
Independent Non-executive Director

23 March 2017

AUDIT COMMITTEE REPORT

COMPOSITION

The members of the Audit Committee ("AC") during the financial year ended ("FYE") 31 December 2016 comprised the following Directors :

Name of AC member	Membership	Directorship
Mr Soh Chin Teck	Chairman	Independent Non-executive
Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	Member	Independent Non-executive
Madam Tam Chiew Lin	Member	Non-independent Non-executive

MEETINGS

The number of AC meetings held in FYE 31 December 2016 and details of attendance of each committee member are as follows :

Name of AC member	No. of Audit Committee meetings	
	Held	Attended
Mr Soh Chin Teck	5	5
Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid	5	5
Madam Tam Chiew Lin	5	5

SUMMARY OF THE WORK OF THE AC

For FYE 31 December 2016, the AC performed the duties specified in its terms of reference as follows :

FINANCIAL REPORTING

- The AC reviewed the PPB Group Berhad ("PPB") quarterly results. The finance heads of the main subsidiary business units presented their respective quarterly financial results, followed by PPB's Chief Financial Officer ("CFO") who presented the consolidated results. The AC sought their explanation on significant financial and/or operational matters, including any unusual variances/events.
- The AC reviewed with the CFO and the external auditors, Mazars, their audit completion presentation on the 2016 group financial statements. The following were highlighted :
 - Key audit areas and their findings
 - Observations and recommendations
 - Key audit matters ("KAM") pursuant to International Standard on Auditing 701

The AC sought explanation on significant key audit areas and observations. The AC also reviewed and deliberated on the following KAM identified by Mazars to be included in their independent auditors' report for FYE 2016 :

- goodwill
- investment in associates

AUDIT COMMITTEE REPORT

3. The AC reviewed with the CFO the financial statements of PPB and its subsidiaries ("Group") for FYE 2016 and the following were highlighted :
 - a) The audited consolidated financial results
 - b) Relevant amended Malaysian Financial Reporting Standards ("MFRS")
 - c) Significant accounting matters
 - d) Matters relating to management judgements and estimates
 - e) Financial risk management objectives and policies

The AC sought explanation on significant financial and accounting matters, any unusual variances, matters relating to management judgements, and financial risk management.

EXTERNAL AUDIT

4. The AC reviewed with Mazars the FYE 2016 audit plan which included the following :
 - Mazars' engagement team and terms of engagement;
 - Mazars' audit scope and an overview of Mazars' risk-based audit approach;
 - Latest amendments to the Bursa Malaysia Securities Berhad Listing Requirements ("BSLR") to strengthen the framework for disclosure and exercise of shareholders' rights;
 - Recent developments of the new and amended MFRS;
 - The Group key audit areas and audit time-table for 2016;
 - Mazars' independence policies and procedures; and
 - Discussion with directors and management on fraud.
5. The AC met with Mazars on 27 February 2017, without the presence of management. At the meeting representatives from Mazars (including the various audit managers engaged in the audit of the main business units) informed the AC that they had not encountered any problems, and are satisfied with the co-operation and support given by management and staff of the group in the course of their audit for FYE 2016.
6. The AC assessed the suitability and independence of Mazars based on a set of policies and procedures adopted in 2012, and discussed an '*External Auditor Performance and Independence Checklist*' completed by Mazars and the CFO. Mazars' statement on their independence as set out in their 2016 Audit Plan was also reviewed. Thereafter, the AC recommended Mazars to be nominated for re-appointment as auditors for the ensuing year.
7. At the AC meeting held on 27 February 2017, Mazars reported that they had substantially completed the Group audit for FYE 2016 with no major issues encountered and that they would be issuing an unqualified audit report on the consolidated financial statements.
8. The AC reviewed with Mazars the results of their evaluation of Group's system of internal control as set out in their 2016 Audit Completion Report which included Mazars' suggested improvements to certain subsidiaries' IT security access controls and IT disaster recovery plans.

INTERNAL AUDIT

9. The Group has established four Audit Review Committees ("ARC"), for each of the main business divisions in the Group. ARC meetings are usually held quarterly before the scheduled AC meetings, and chaired by the CFO. The ARC meetings serve as an avenue for more in-depth discussion of issues raised in the internal audit reports.

Senior management of the subject entity are invited to ARC meetings to facilitate discussions and provide further explanation, feedback, updates and action plans on internal audit issues raised. AC members may attend selected ARC meetings to seek explanations or participate in deliberations between management and ARC members.

AUDIT COMMITTEE REPORT

10. Significant audit issues raised in ARC meetings are further discussed at AC meetings and where necessary, the chief executives of the subsidiaries are invited to attend AC meetings to provide further information and explanation.
11. The AC reviewed the findings of PPB Internal Audit Department ("PPBIAD") reports and noted the discussions at ARC meetings. The CFO ensures prompt follow-up on key outstanding audit issues not resolved at ARC meetings.
12. The AC reviewed and approved PPBIAD's 2016 audit plan, scope and audit approach which is guided by the risk-based assessment approved by the AC.
13. At the November 2016 AC meeting, the AC assessed the performance and competency of PPBIAD including assessing the adequacy of their manpower and other resources, and is satisfied with PPBIAD's performance and adequacy of its resources.

RELATED PARTY TRANSACTIONS ("RPT") AND CONFLICT OF INTEREST ("COI") SITUATIONS

14. The AC noted the methods and procedures by which prices and other terms of recurrent related party transactions ("RRPT") are determined, which inter-alia covers PPB Group's procedures and processes to identify, track and monitor all RRPTs.
15. The AC reviewed RPT issues including any COI situations as and when highlighted in internal audit reports.
16. The AC noted the RPTs and RRPTs entered into by the Group in FYE 2016.

RISK MANAGEMENT

17. The AC provided oversight, direction and resources for the implementation of the risk management framework in the following key areas :
 - a) assessing the effectiveness of the Group's enterprise-wide risk management framework
 - b) reviewing the risk reports of the Group on a bi-annual basis
 - c) ensuring the risk management activities of risk identification, assessment, action plans and monitoring of key risks are implemented throughout the Group
 - d) ensuring key risks of the Group are managed appropriately in order to assure the Board that the residual risk ratings meet the Group's risk appetite

OTHERS

18. The AC reviewed the Audit Committee Report and the Statement on Risk Management and Internal Control for inclusion in the 2016 annual report.
19. During the year, members of the AC visited the following PPB Group operations :

Entity/Location	Business activity
Johor Bahru Flour Mill Sdn Bhd – Kota Kinabalu branch	Flour milling
FFM (Sabah) Sdn Bhd – Kota Kinabalu	Manufacturing and trading of animal feed

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is performed in-house by staff of PPBIAD. PPBIAD reports directly to the AC and is independent of the activities which it audits.

The total cost incurred by PPBIAD for the internal audit function of the Group for FYE 31 December 2016 was about RM2.0 million.

AUDIT COMMITTEE REPORT

SUMMARY OF THE WORK OF PPBIAD

The activities and processes of PPBIAD are guided by its charter and the *'International Standards for the Professional Practice of Internal Auditing'* issued by the Institute of Internal Auditors ("IIA"), as well as the annual audit plan approved by the AC. PPBIAD adopts a risk-based approach in the development of its audit plans.

During FYE 31 December 2016, PPBIAD :

KEY AUDIT AREAS

1. reviewed the top risks identified by management of PPB and its subsidiaries during their enterprise risk management ("ERM") exercises and tested the adequacy and effectiveness of the key internal controls to manage those risks.
2. reviewed the systems in place to ensure compliance with policies, plans, rules and regulations which may have significant impact on PPB Group.
3. reviewed controls to safeguard assets and where appropriate, verified the existence of such assets.
4. reviewed the effectiveness and efficiency of operations and ascertained whether results are consistent with PPB's objectives and goals.
5. reviewed compliance with the Malaysian Code on Corporate Governance 2012.
6. reviewed RPTs and RRPTs and reported on any COI situations identified during the course of audit which did not adhere to relevant policies, rules and regulations.

REPORTING AND COMMUNICATION FLOW

7. attended 10 quarterly ARC meetings held in 2016 to discuss PPBIAD audit reports.
8. the Head of Internal Audit met on a one-to-one basis with the AC Chairman on 10 occasions in 2016 to review key audit issues prior to scheduled AC meetings; at these discussions, the AC Chairman provided guidance and support to further improve the efficiency and effectiveness of PPBIAD.
9. at each AC meeting, PPBIAD highlights critical and important audit issues in the internal audit reports with particular emphasis on any key unresolved issues.

RESOURCES

10. the PPBIAD head count as at 31 December 2016 was 12. All the internal auditors have at least a relevant tertiary education.
11. staff attended relevant courses and seminars organized by IIA Malaysia and other professional/regulatory bodies to keep abreast with the latest auditing techniques and regulatory requirements, as well as a series of in-house English classes to improve PPBIAD report-writing skills.

(The terms of reference of the AC can be viewed on PPB's website at www.ppbgroup.com)

Soh Chin Teck

Audit Committee Chairman

22 March 2017

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for establishing a sound risk management and internal control system to safeguard shareholders' investments and the Group's assets.

There is an on-going review process by the Board to ensure the adequacy and effectiveness of the system to meet the Group's objectives and strategies. The risk management framework and internal control system are designed to identify, evaluate and manage risks that may prevent the achievement of the business objectives and strategies within the Group's risk appetite, rather than to eliminate risks. Therefore, it provides reasonable but not absolute assurance against material misstatement, fraud or loss.

The main features of the Group's system of risk management and internal control are summarised as follows:

1. Control environment

The Group considers the integrity of staff at all levels to be of utmost importance, and this is pursued through comprehensive recruitment, appraisal and reward programmes. There is an effective Group organisation structure within which business activities are planned, controlled and monitored.

The Group's culture and values, and the standard of conduct and discipline it expects from its employees have been communicated to them via the employee handbook or letters of appointment.

2. Risk management

A formal Group-wide enterprise risk management (ERM) system has been established, which is aligned to ISO31000: Risk Management, covering the Group's core business activities to identify, evaluate and manage significant business risks faced by the Group.

This process has been in place throughout the year and is regularly reviewed and monitored by the Audit Committee (AC) for its adequacy and effectiveness and reported accordingly to the Board.

The main features of the Group's risk management framework are:

- A formal set of risk policy and guidelines has been established and approved by the Board and communicated to employees throughout the Group through risk awareness sessions and workshops;
- A risk reporting structure which outlines the lines of reporting and responsibilities of the Board, AC, Risk Advisory Committee (RAC) and the various subsidiary risk committees, has been established and approved;
- The RAC reports on the Group risk profile for review by the AC, and the AC reports on the significant risks and controls available to mitigate those risks to the Board for its consideration;
- The appointment of a Group Chief Risk Officer (GCRO) at the holding company and risk officers at the subsidiaries to ensure leadership, direction and coordination of the Group-wide application of risk management;
- The scope of the Group-wide risk assessment process encompasses strategic, financial, operational, health and safety, asset security, human resources, legal and regulatory;
- The risk assessment sessions are mainly carried out through meetings or facilitated workshops by the ERM team or the subsidiaries' risk officers. They provide independent assessment of the new/ existing risks identified, and risk ratings determined by the respective risk owners based on the risk appetite set by the Board;
- The risk officers also provide guidance to the risk owners on the development and adoption of appropriate management action plans to mitigate the risks, should the control effectiveness of the existing controls be assessed to require further improvements;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- The heads of the strategic business units, with assistance from their risk officers are responsible for identifying, analysing and evaluating risks, as well as developing, implementing and monitoring management action plans and reporting all risks to the GCRO, who will subsequently table the Group's key risks to the RAC, AC and Board;
- The identification and monitoring of key risk indicators (KRIs) have been rolled out in phases, which will assist risk owners to assess the risk ratings and the need for further management action plans to mitigate the risks if the KRIs were to indicate an adverse trend; and
- On-going risk management education and training is provided at management and staff levels.

3. Control activities

The Group has in place a system to ensure that there are adequate and effective risk management, financial and operational policies and procedures and rules relating to the delegation and segregation of duties.

There are comprehensive budgets, requiring board approval, which are reviewed and revised on a regular basis, with performance monitored against them and explanations sought for significant variances.

4. Information and communication

There is a system of financial reporting to the Board, based on quarterly results and annual budgets. Key risks and operational performance indicators are continuously monitored and reported to the Board.

5. Monitoring

Monitoring of the Group's significant business risks is embedded within the Group's risk management process described in item 2 above. A control self-assessment system is also in place for management to monitor critical and routine risk areas under their jurisdiction using an internal control checklist.

The adequacy and effectiveness of the Group's risk management, internal control and governance processes are reviewed and monitored by the AC, which receives regular reports from the internal auditors. Formal procedures are in place for actions to be taken to remedy any significant failing or weaknesses identified in these reports.

There were no significant risk management and internal control failings or weaknesses which had resulted in material losses or contingencies during the financial year.

The Board has received assurance from the Managing Director and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects based on the risk management and internal control system of the Group.

Based on the foregoing, the Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. However, such a system is designed to manage rather than eliminate the risk of failure. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Group's system of risk management and internal control applies principally to PPB Group Berhad and its subsidiaries. Associated companies have been excluded because the Group does not have full management and control over them.

28 February 2017

SUSTAINABILITY STATEMENT



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SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY JOURNEY

Working with respect for people and our planet is the only way to ensure the long-term success and sustainability of our businesses. Progressively, our focus on corporate responsibility must become more strategic so that we can continue building value for all stakeholders – our customers and investors, our employees and business partners, and the communities in which we operate.

Sustainability reporting is a developing field where best practices are always evolving to address new stakeholder demands. Investors, for example, are increasingly factoring non-financial benchmarks into their decision-making processes, and stock market regulators are responding accordingly. In 2015, Bursa Malaysia joined the growing number of stock exchanges that require listed companies to publish a statement of their material economic, environmental and social performance in their annual reports.

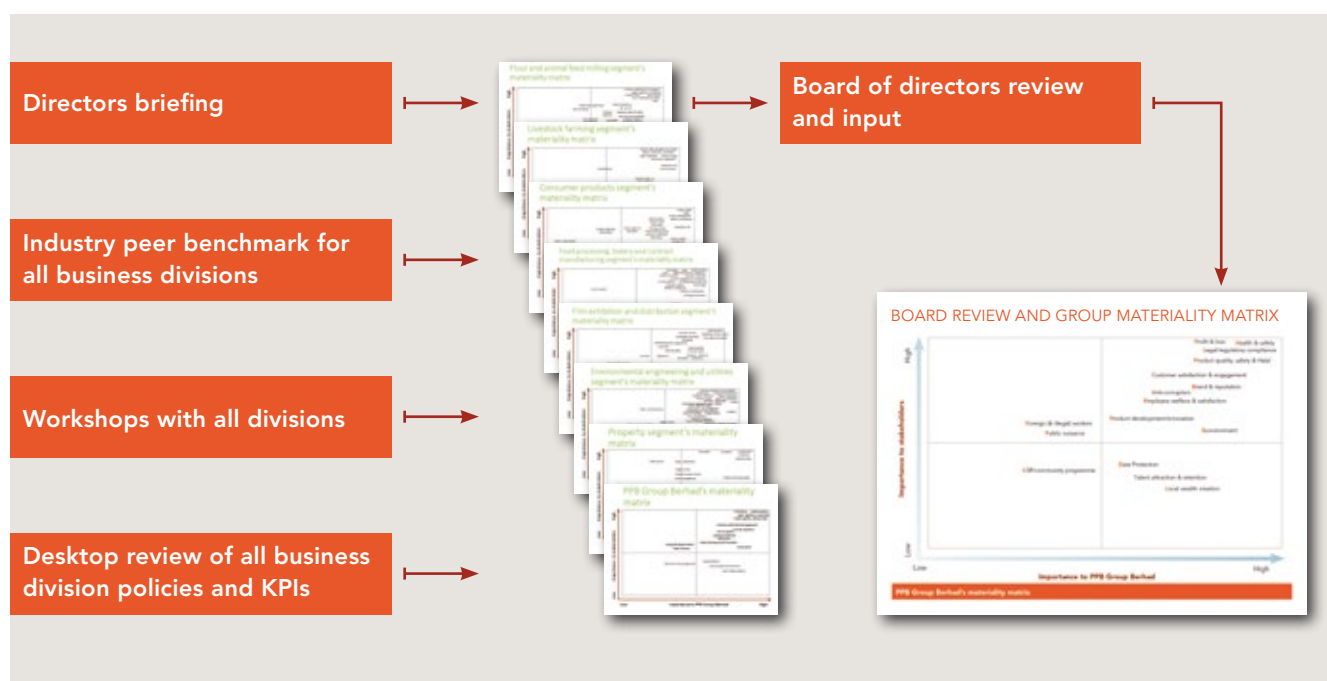
Good reporting practices are available for many industries, but the diversity of PPB's business activities makes a one-size-fits-all framework unsuitable. We require a bespoke process that ensures that material issues are appropriately mapped at business division level and consolidated so we can better understand Group-level risks and opportunities. We therefore initiated a process in 2016 whereby our Malaysian operations from our main segments – *Grains & Agribusiness, Consumer Products, Film Exhibition & Distribution, Environmental Engineering & Utilities and Property* – began collecting data on sustainability parameters defined by international reporting guidelines and frameworks, such as the Global Reporting Initiative (GRI).

This Sustainability Statement is the first output of this process, and for this reporting year includes the operations of our Malaysian subsidiaries only. We expect to incorporate our non-Malaysian operations in the near future. This statement describes our performance on key non-financial metrics, highlights areas where our sustainability management and processes can be strengthened and provides a basis on which we can continually improve our reporting to better meet the expectations of our stakeholders.



The Italian Baker's baking plant in Pulau Indah.

SUSTAINABILITY STATEMENT



Our first step was to learn more about what sustainability actually means in our business segments. To ensure alignment with best practices and secure an external assessment of our performance, we engaged third party sustainability experts with experience in the Malaysian context to facilitate the process.

BENCHMARKING AGAINST PEERS

A detailed benchmarking exercise was organised to identify broad trends and specific issues in each segment where PPB and its subsidiaries (hereinafter referred to as “PPB Group” or “Group”) operate. Best practices implemented by our peers in Malaysia, as well as by Asian and global sustainability leaders, were also highlighted. For this exercise we defined peers as companies in similar industries to those in which our divisions operate. PPB’s public disclosures were compared with disclosures made by peers using a framework based on typical stakeholder requirements and international reporting standards, including the GRI and investor-led benchmarks, such as FTSE4Good and the Dow Jones Sustainability Index.

MAPPING DISCLOSURE GAPS AGAINST PERFORMANCE

PPB had not previously been subject to sustainability disclosure requirements, and our current Group disclosures could be more comprehensive to reflect our sustainability performance and initiatives at division level. We therefore began collecting initial input from all business divisions, including sustainability-related policies, key performance indicators (KPIs) and available data. This enabled us to identify areas where we could expand and improve our disclosures.

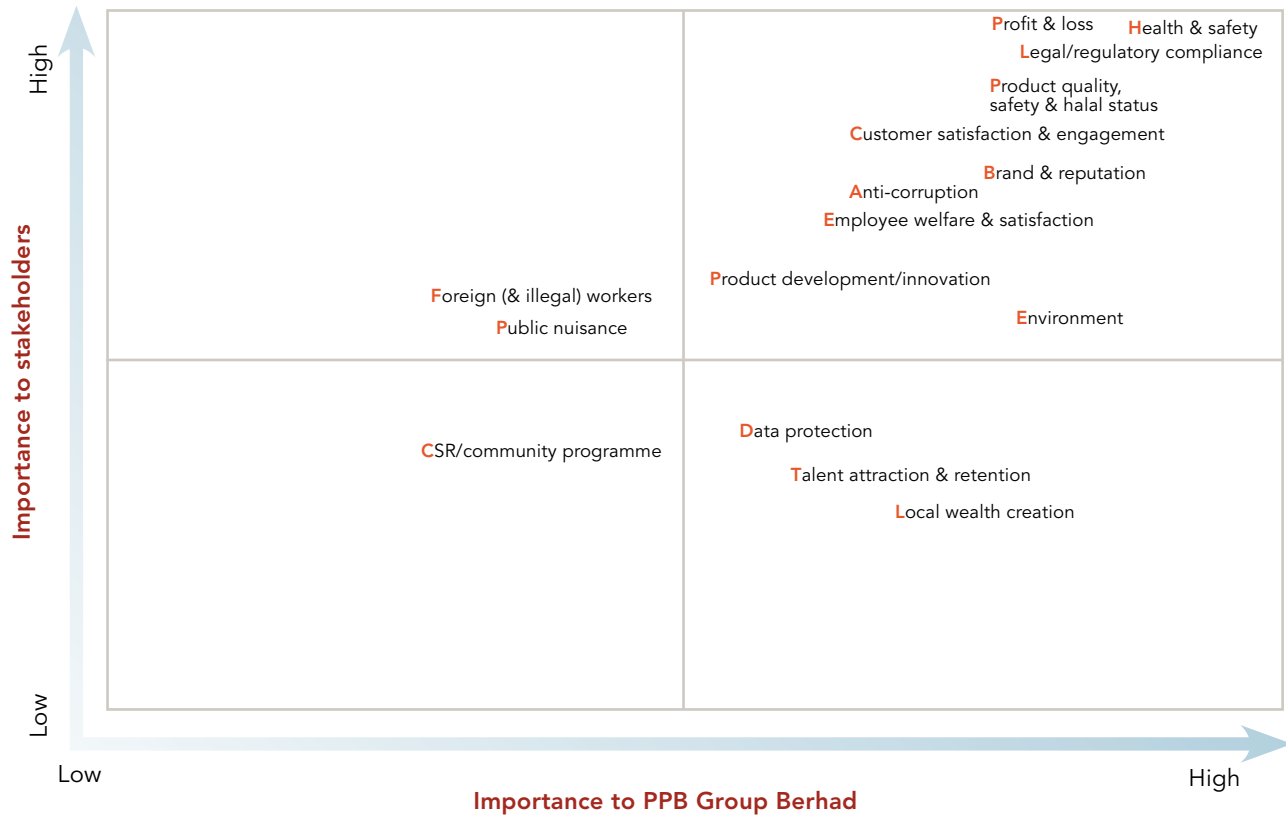
IDENTIFYING MATERIAL ISSUES AT BUSINESS DIVISION LEVEL

Our next step was to organise six workshops across our Klang Valley operations to identify specific material issues in each business division. Between 15 to 40 key staff and managers participated in each workshop. To familiarise participants with best practices in their segments, the benchmark findings were presented alongside our consultant’s view on current PPB Group disclosures and performance. The in-depth discussions that followed led to agreement on the key material sustainability issues impacting each segment, and an overview of existing corporate responsibility initiatives undertaken at division level.

Having reached consensus, each workshop group positioned its agreed sustainability issues on a materiality matrix according to level of importance measured along two axes: “Importance to stakeholders” and “Importance to PPB Group”. The draft matrix for each division then underwent validation with representatives from each workshop group and final adjustments were made.

SUSTAINABILITY STATEMENT

BOARD REVIEW AND GROUP MATERIALITY MATRIX



PPB Group's materiality matrix

The approved materiality matrices were combined into a consolidated matrix of 16 prioritised issues relating to the activities of PPB Group as a whole. This consolidated matrix, the final materiality matrix for each division, and all other findings from the workshop sessions were presented to the PPB Board of Directors for review and discussion. Final adjustments in line with PPB's overall sustainability strategy were made.

Once approved by the Board, the issues defined and prioritised by our working groups formed the basis of an agreed set of KPIs. The indicators are grouped into the four dimensions where our sustainability efforts are focused: environmental impact, working environment, marketplace engagement and community investment.

We will use these indicators as we report on our future sustainability performance, confident that they relate directly to the issues that matter most, for both our Group and our stakeholders.

Next steps on our journey

Based on what we have learned from our first reporting process, our identification of material issues, mapping of performance levels and feedback from stakeholders, we will begin developing a sustainability policy that sets out priorities for the Group and expected actions from each business segment. To accommodate extensive consultation with all divisions and external stakeholders, our target for completing this work is 2018.

SUSTAINABILITY STATEMENT

TARGETS

Target	Year
Zero fatalities for all business divisions	Ongoing
Establish a senior-level formal sustainability steering committee reporting to the Board to drive policy implementation and strategy	2017
PPB Group and its divisions to establish a joint CSR task force to develop a community investment strategy	2017
10% reduction in accidents for livestock farming	2017
Flour and animal feed division and GSC to commission a carbon footprint assessment and/or an energy reduction plan	2018
GSC to commission a water footprint assessment and/or a water reduction plan	2018
Property to commission a water footprint assessment and/or a water reduction plan	2018
Develop a sustainability policy that sets out priorities for the Group and expected actions from each business segment	2018

PROTECTING OUR PLANET

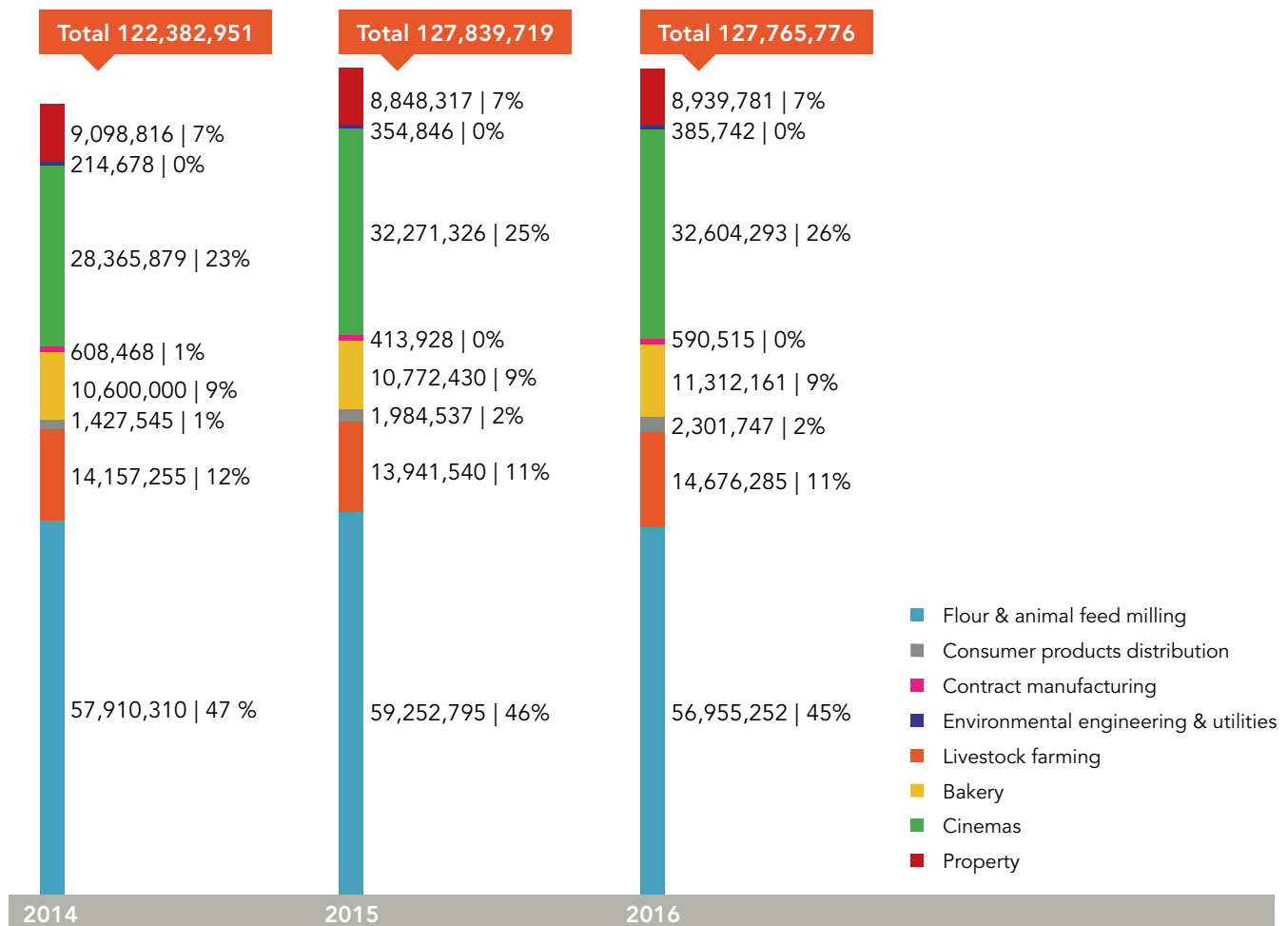
The key environmental challenges faced by businesses in Malaysia today are related to three global trends: climate change, resource scarcity and a growing focus on protecting fragile ecosystems and biodiversity. Our materiality identification exercise showed that the most immediate issues within our own operations relate to resource use and the impact of this use – particularly water, energy and waste. We mainly operate in industrialised zones and urban areas, primarily in the Klang Valley, Malaysia, and have relatively little direct impact on biodiversity, although we recognise that our supply chains may have some impact on ecosystems. We therefore believe our most significant action points should target the reduction and mitigation of climate change, water impact and waste management.

STRENGTHENING OUR RESPONSE TO CLIMATE CHANGE

Climate change is having an impact on Malaysia's people and economy through more extreme weather events, such as the 2014–2015 floods that displaced over 200,000 people and caused billions of ringgit of damage. Climate change may also have adverse effects on PPB Group's businesses as supply chains are disrupted, property is damaged and employees are forced to relocate.

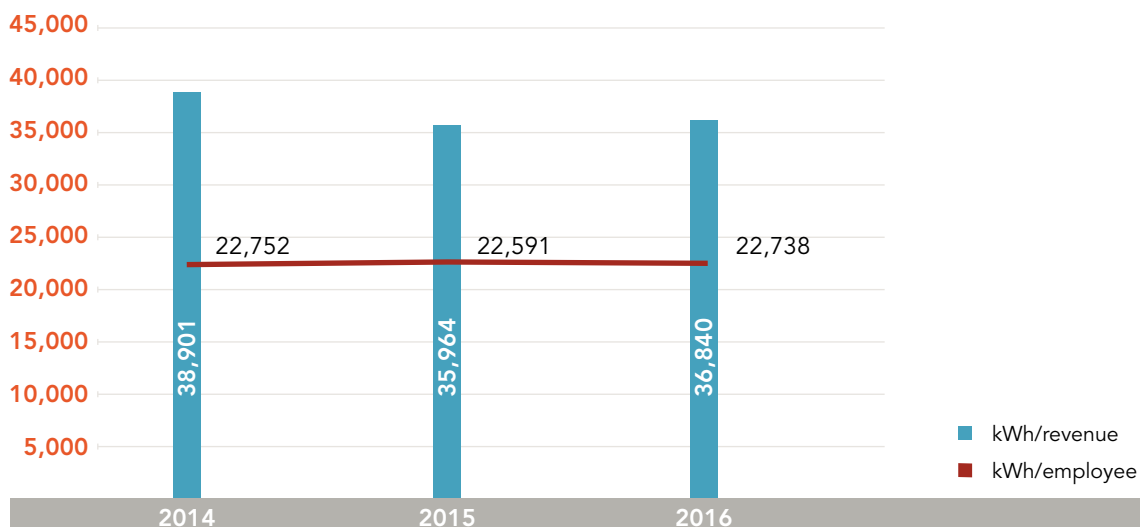
We acknowledge that all business activities impact climate change through their use of energy and natural resources. In our segments, electricity consumption is by far the largest direct source of carbon emissions, and we have started to map our energy use across all business divisions. This would help us to identify new opportunities for CO₂ emission reductions, including more energy-efficient processes and designs.

SUSTAINABILITY STATEMENT



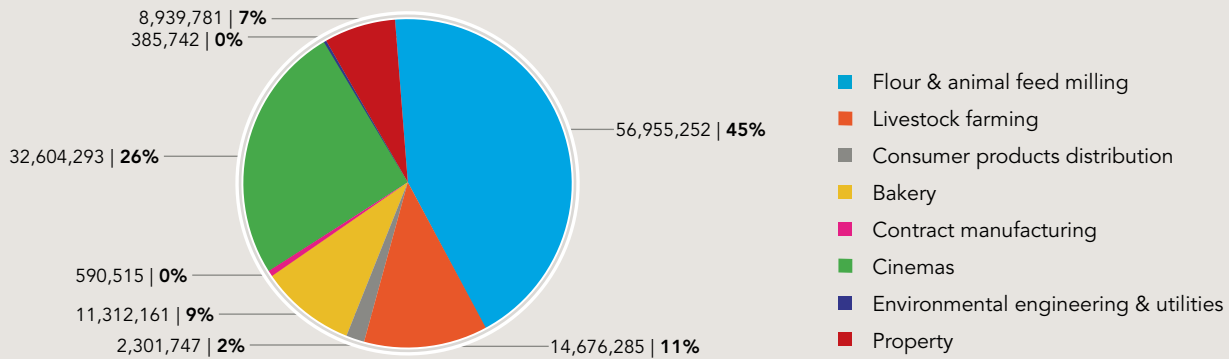
Energy usage in kWh by business unit (2014-2016)

Note: Energy usage figures do not include PPB Head Office or operations outside Malaysia.



Energy usage in kWh per employee and kWh per million RM revenue

SUSTAINABILITY STATEMENT

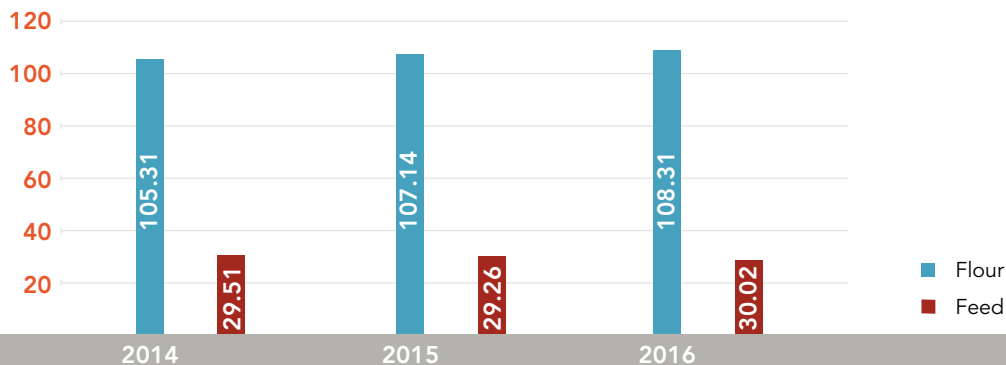


Energy usage in kWh by business unit (2016)

Reducing energy use where it matters most

Our energy usage has remained relatively stable over the past three years and we will focus our efforts on finding new opportunities to conserve energy and shrink our carbon footprint.

Flour and animal feed milling, for instance, is an energy-intensive activity that accounts for 45% of total Group energy usage. Our flour and animal feed division has a specific policy to strive towards and achieve optimum mill energy consumption. We measure this consumption using a KPI defined as kilowatt-hours per metric tonne (kWh/MT) of milled product, and have set a target to reduce our consumption by 2 kWh/MT for flour production in Pulau Indah by the end of 2019.



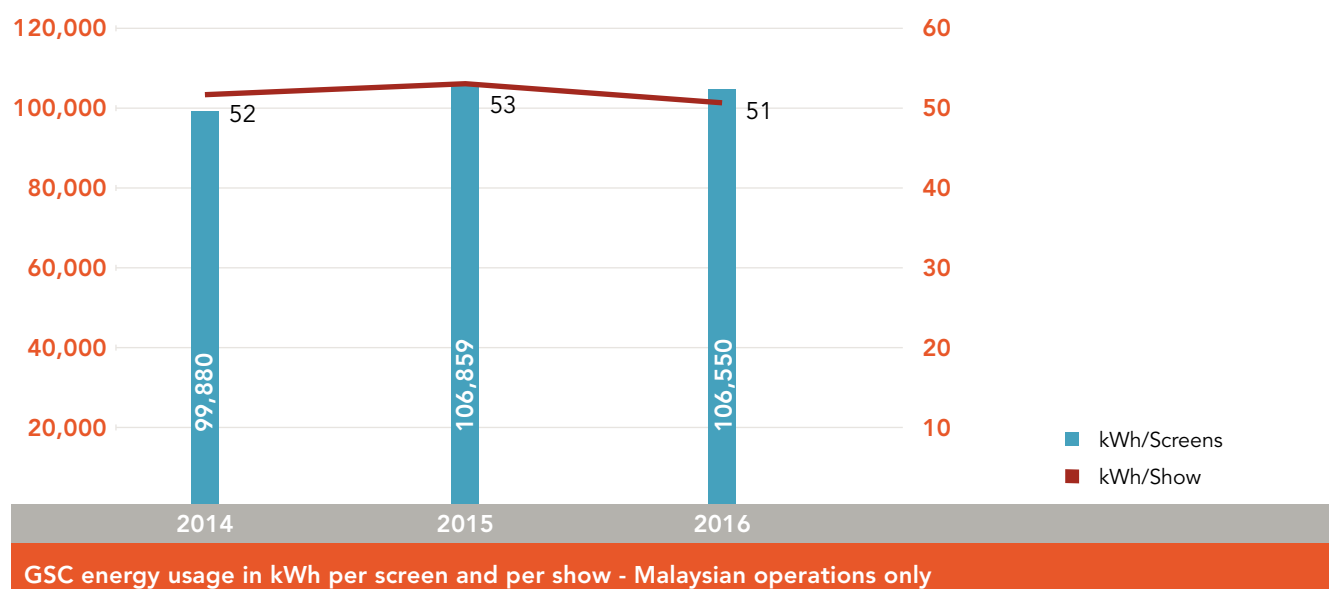
Flour & animal feed energy usage in kWh/MT - Pulau Indah operation only

SUSTAINABILITY STATEMENT

Cinemas put the spotlight on energy savings

Our cinema division – which operates 306 digital screens in multiplexes across Malaysia as at 31 December 2016 – highlighted energy consumption as a key material sustainability issue. Energy usage is a significant cost to the business. Electricity is used for air-conditioning and ventilation; projectors and sound systems that operate continuously throughout the day; and food and beverage concession equipment, including popcorn machines, fryers, refrigerators and ice machines.

Our cinemas have established a number of best practices, including the use of energy-saving laser projectors; energy-saving lights in cinemas and offices; and VSD (Variable Speed Drive) for air-conditioners.



Energy-saving upgrades for livestock farming

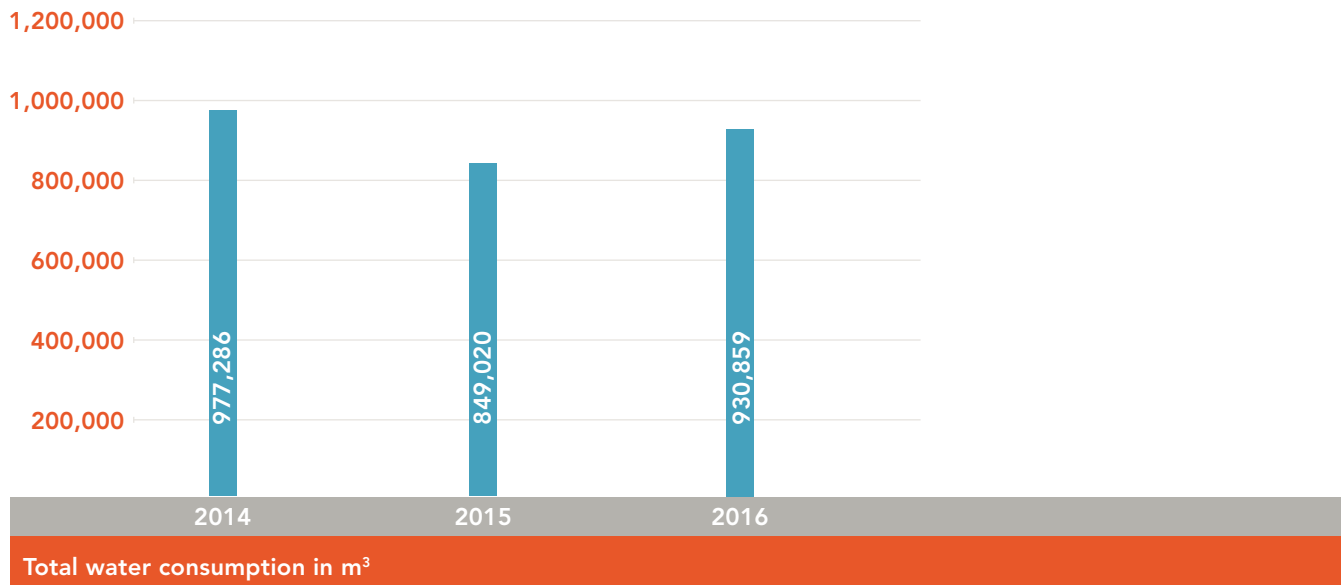
Livestock farming accounts for 11% of PPB Group's total annual energy usage. Farms mainly use electricity for ventilation, feeding and manure removal in chicken houses, and for incubators, water chillers, heating and air-conditioning at hatcheries. Almost all of this equipment runs 24 hours a day.

Our livestock farming division has recorded a consistent use of energy over the past three years, and we believe that our consumption is on par with our peers in the industry. However, we are looking to secure reductions wherever we can. Old equipment is replaced with more energy-efficient models, and we are exploring possibilities to install solar energy solutions that may be eligible for tax incentives under government-led green industry initiatives.

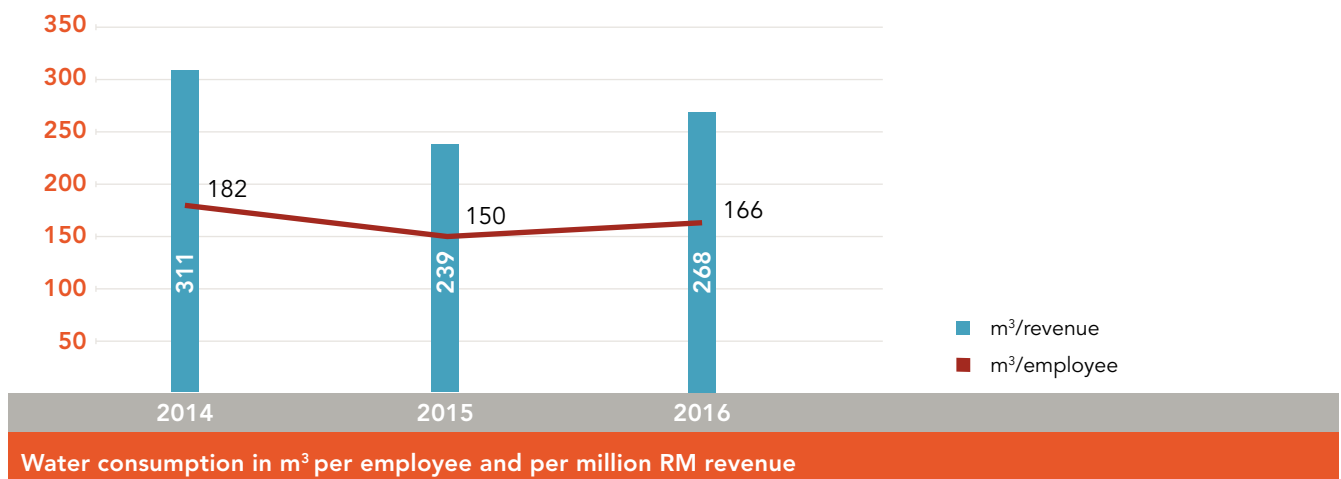
SUSTAINABILITY STATEMENT

Developing our strategy for a water-scarce world

Changing rainfall patterns are causing more frequent water shortages and rationing in Malaysia and surrounding countries. Farmers and agribusiness corporations suffer losses when prolonged dry spells prevent the completion of crucial first plantings, and affect crop growth and production. The increasing frequency of water shortages across Southeast Asia has made water use management and conservation important issues across PPB Group's operations, particularly for divisions with high water consumption.



Note: Water usage figures do not include PPB Head Office or operations outside Malaysia.



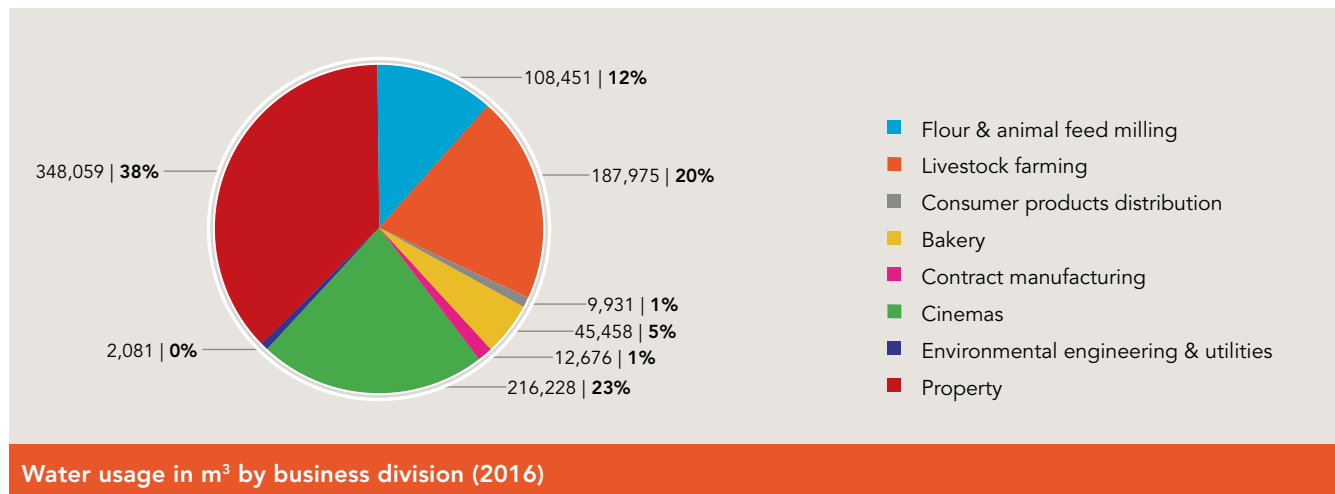
SUSTAINABILITY STATEMENT

As a Group, we consumed almost 931,000 m³ of water in 2016, with 80% being used by property, cinemas and livestock farming.

Our property division had by far the highest impact, with tenants (including food and beverage outlets), and lavatory use contributing to more than a third of our total combined footprint. A critical aspect of our ongoing environmental management plans will consequently be to identify opportunities to reduce water usage in all our properties.

Consuming more than 200,000 m³ of water annually, cinemas also account for a significant part of our water footprint. Consumption patterns are similar to those in our property division, with soft drinks and lavatory use constituting the major portion. The division is currently looking to reduce resource consumption in new cinemas through the installation of water-efficient auto-flush facilities.

Almost half of all water used by our livestock farming division is consumed by the poultry; the other half is mainly used for hatchery cleaning. The division is implementing water-saving initiatives, including the use of high-pressure pumps for washing the chicken housing, and recycling of water for the cooling pad and washing hatchery baskets. Further savings are being secured through ongoing checks and maintenance of the water supply line to prevent leaks.



CREATING LESS WASTE

Waste emerged as an important theme for all our business divisions and stakeholders. Waste was commonly grouped together with water and soil pollution issues, recycling programmes and compliance.

Driving compliance on treatment standards

Our Environmental Engineering & Utilities division identified waste handling and disposal, as well as the prevention of soil and water pollution, as being of high importance in the water, sewage, solid waste and flood mitigation segments. Key material issues included sludge disposal and compliance with national regulatory standards for wastewater discharged to surface waters. Of significant importance to stakeholders was the issue of leachate odour, occurring at or close to landfills containing putrescible waste.

Waste from our livestock farming division was also considered an important material issue and therefore standard operating procedures have been established.

PPB Group has division-specific policies covering wastewater treatment, which uses biochemical oxygen demand (BOD) and chemical oxygen demand (COD) as KPIs for treatment effectiveness.

SUSTAINABILITY STATEMENT

Rethinking our waste: from refuse to resource

Our businesses work to repurpose waste wherever possible. For instance, the nutrient-rich manure sourced from our poultry facilities is turned into high-quality organic fertiliser for use on farms.

Sustainable packaging: recycling and 'upcycling'

Packaging waste has become an increasingly important material issue as consumers and business-to-business customers seek to minimise their environmental impact. Many of our business units are implementing strategies to reduce, reuse and recycle packaging.

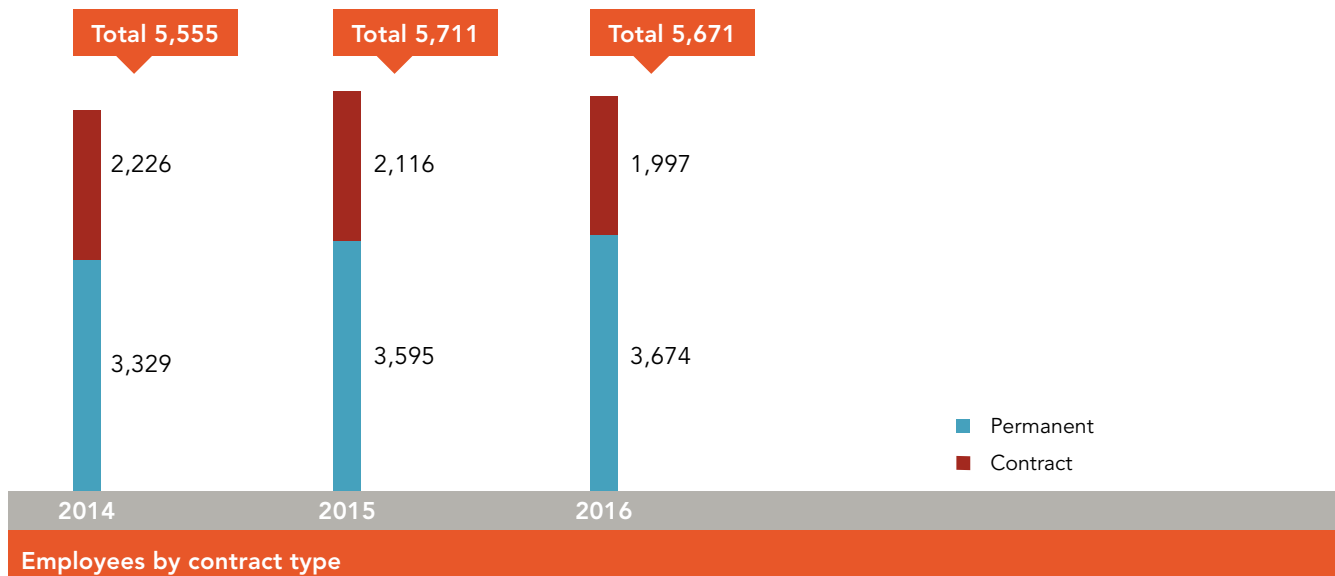
Cinemas are associated with high-volume waste, from dumped snack packaging to discarded ticket stubs. To make the film-going experience more sustainable, our GSC chain has introduced a mobile app that enables movie-goers to go ticketless. Having purchased tickets online, customers at selected cinema checkpoints simply scan the barcode sent to their smartphone.

Trash is also being diverted from landfills through a GSC programme that encourages recycling and 'upcycling'. This internal programme includes introductory talks, as well as workshops and competitions through which opportunities to recycle and upcycle are explored.

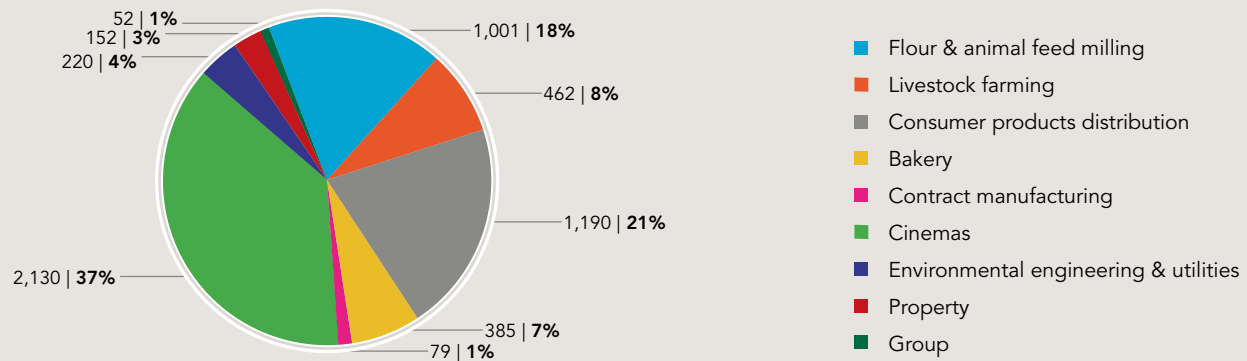
The impact of packaging on marine environments has also been a key focus area. Fridays have been designated 'No Plastic Bag Day' for GSC employees. All funds raised through plastic bag initiatives at our cinemas are donated to NGOs and charitable entities.

EMPOWERING OUR PEOPLE

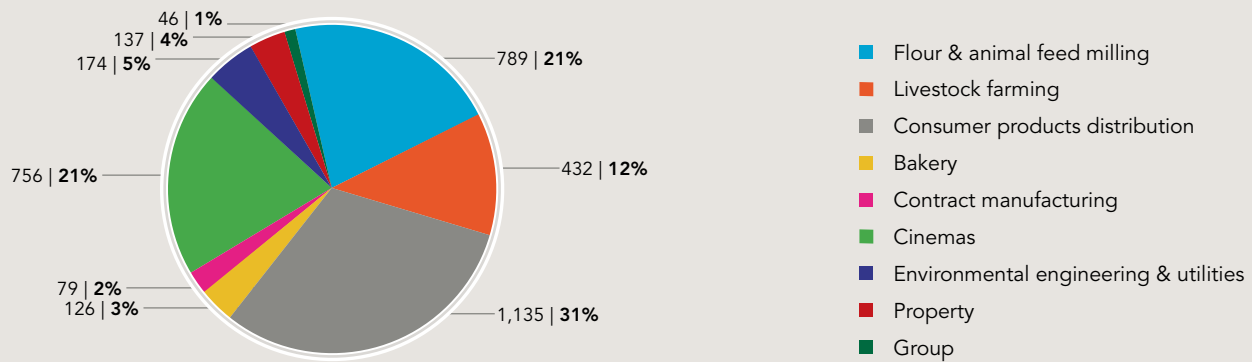
The recruitment and retention of employees – including both unskilled workers and highly skilled professionals – is a major challenge faced by all industry sectors in Malaysia. The Group's continued success will therefore rely on our ability to create and maintain safe workplaces, and an engaging and supportive culture that empowers talented individuals to succeed.



SUSTAINABILITY STATEMENT



All employees by business division (2016)



Permanent employees by business division (2016)

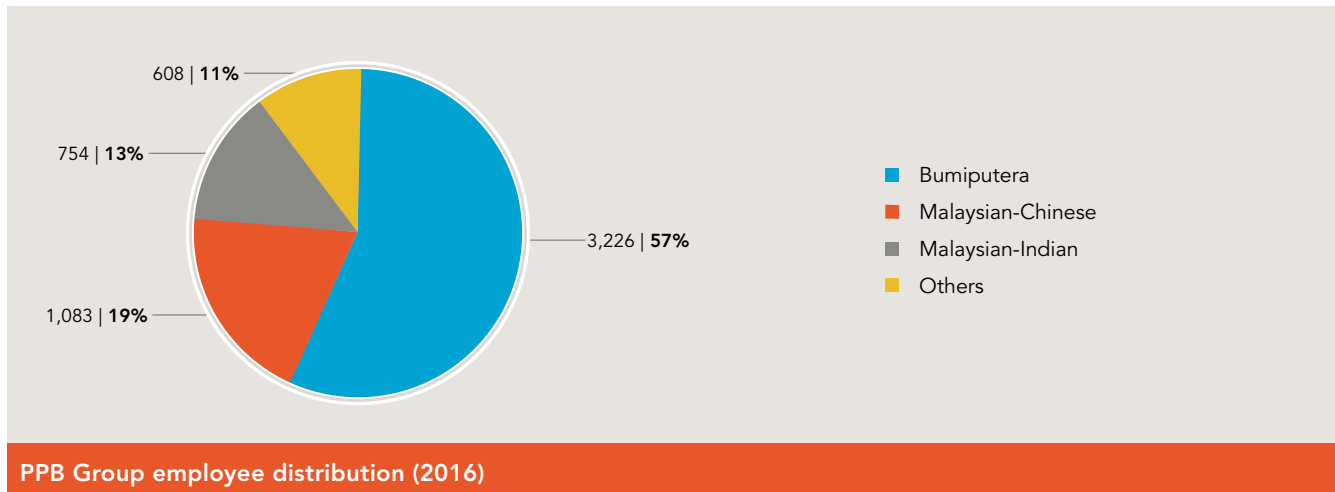
The Group employs about 5,600 people, of whom two thirds are permanent full-time employees. Our cinema business accounts for the highest proportion of workers (37% of PPB Group's total workforce), most of them on a part-time basis. Approximately a third of our permanent workers are employed in the consumer products division, where only a handful of individuals are hired on a temporary basis.

SUSTAINABILITY STATEMENT

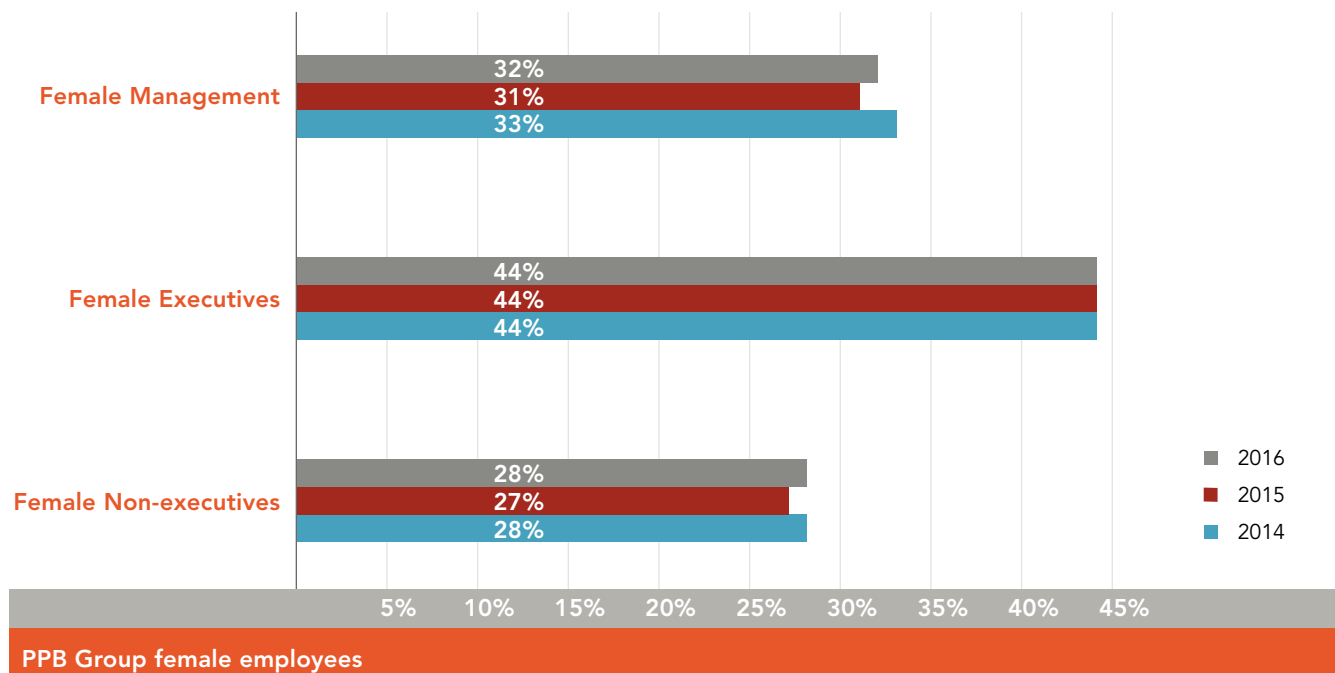
BUILDING STRONGER BUSINESSES THROUGH DIVERSITY

Amidst fierce competition for talent and labour, we want to be recognised as a diverse and attractive employer by all sections of the community, regardless of race or gender. Most businesses will be stronger when their workforce reflects the communities in which they operate.

The majority of our employees are based in Selangor, where Bumiputera (Malays and indigenous populations) constitute half the population, Chinese-Malaysians make up about 30%, and Indian-Malaysians a further 15%.



About 40% of our employees are women. Considering that Selangor has a female labour participation rate of just over 50% (versus the male participation rate of 80%¹) this is relatively high.



¹ <https://knoema.com/ckneekg/malaysia-regional-dataset-october-2013?tsId=1013380>

SUSTAINABILITY STATEMENT



WELL-BEING IN OUR WORKPLACES

Having a motivated workforce strengthens our ability to deliver value to our shareholders, business partners, consumers and communities. The majority of our employees undergo an annual performance review, and we work to ensure that PPB Group working environments are healthy and engaging, example by offering sports and/or recreational facilities at a growing number of workplaces.

Employees at FFM Berhad's head office are encouraged to maintain their fitness at a fully equipped onsite gym. Fitness activities have also proved to be a good way to foster teamwork and a stronger work culture. In 2016, PPB staff and their family members participated in the Great Eastern Bubble Dash as well as the Standard Chartered Kuala Lumpur Marathon, both held in Kuala Lumpur. We also create opportunities for workers and their families to gather in the spirit of community by organising Movie Days and runs.

TRAINING AT ALL LEVELS

Employees in all divisions receive training in areas relevant to their functions. For the food-related and manufacturing segments, extensive training is provided on hygiene, food safety and handling (including HACCP) and workplace safety. Practical on-the-job learning is supplemented with segment-specific training, such as chemical handling and biosecurity for the livestock farming division and effluent treatment for the bakery division.

Managers receive ongoing training on the latest legal and regulatory requirements, such as updates to the Employment Act, the Competition Act, the tax code etc. Some divisions have also developed specific leadership and coaching programmes to strengthen management skills.

UPHOLDING LABOUR PRACTICES AND EMPLOYEE RIGHTS

PPB Group is committed to protecting our employees' rights and treating them with dignity and respect. The Group complies with all applicable labour laws, rules and regulations in the countries where we operate, including the Malaysian Employment Act, and regulations governing key issues such as child labour and forced labour. All employees have access to a grievance mechanism to raise concerns related to workplace practices. PPB Group has a zero-tolerance policy against discrimination in any form.

FOREIGN WORKERS AND ILLEGAL LABOUR

PPB Group employs relatively few non-Malaysians – about 10% of our total workforce. These workers are primarily employed in the bakery and livestock farming divisions due to severe labour shortages in both sectors. All foreign workers directly employed by PPB Group have legal contracts and are accorded similar conditions as local workers. Benefits vary across divisions, but generally exceed legal requirements and include access to incentive schemes, medical care and participation in company social and recreational events. In addition, foreign workers are provided with housing and transportation.

No instances of child labour were reported during the current period. PPB Group does not and will not employ any person below the age of 16.

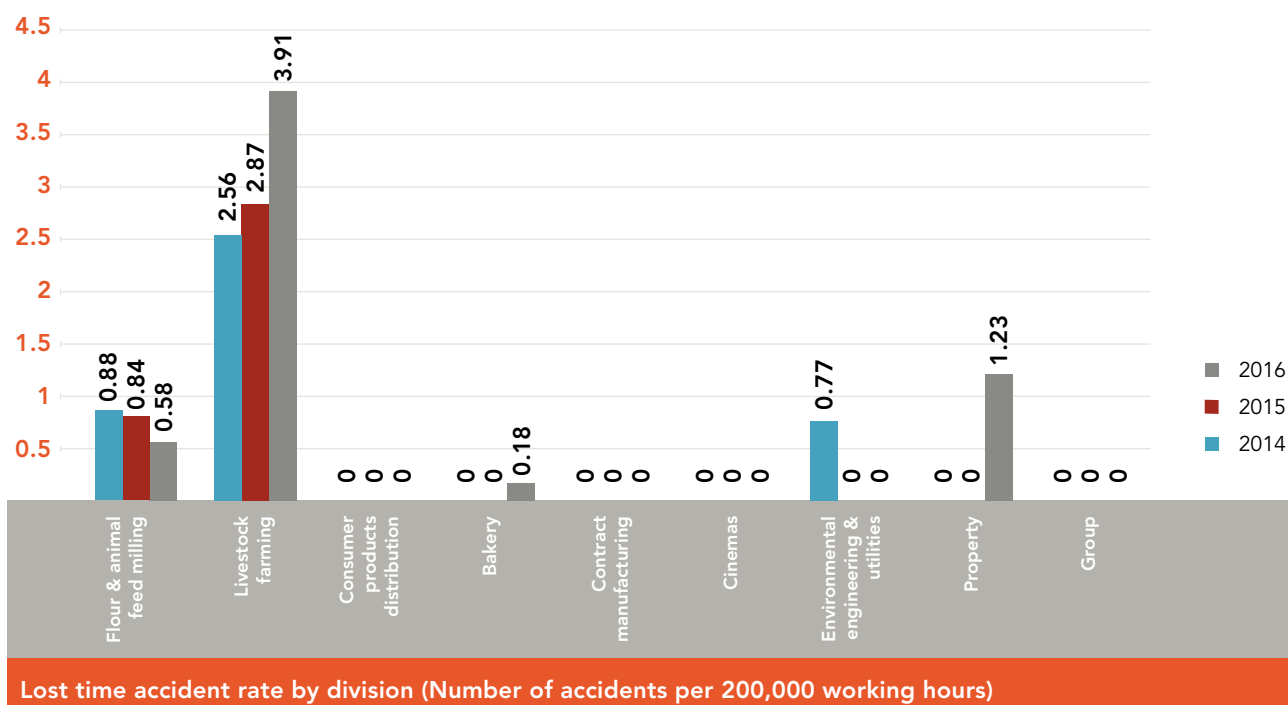
SUSTAINABILITY STATEMENT

ENSURING SAFER WORKING ENVIRONMENTS

Our biggest responsibility is to ensure the health and safety of our employees. We aim to foster a risk-averse working environment and eliminate safety hazards across all our divisions.

The Group recorded a total of 31 Lost Time Accidents (LTA) in 2016. We consider this to be a very low number given the size of PPB Group and range of activities. No accidents were recorded at PPB Head Office or in four of our divisions. Sustained focus on safety has resulted in the number of accidents in our flour and feed milling division being reduced by 30% and lost days per accident by almost 70%.

Our bakery and property divisions did record accidents in 2016 – the first in three years for both. These divisions have now strengthened measures to prevent future incidents. While our livestock farming division has successfully reduced the severity of accidents, it still has the highest LTA rate in the Group due to the highly manual nature of the work and the physical environment of the farm. The most common accidents involve slips, sprains and incorrect use of personal protective equipment, and the division is looking into ways to reduce such incidents.



Note: Accidents involving employees only, except accident figures for flour & animal feed milling at Pulau Indah, where figures include contractors working on site.

Average number of lost days per accident by division

	2014	2015	2016
FLOUR & ANIMAL FEED MILLING	38.9	47	11.86
LIVESTOCK FARMING	33.42	32	17.95
CONSUMER PRODUCTS DISTRIBUTION	0	0	0
BAKERY	0	0	14
CONTRACT MANUFACTURING	0	0	0
CINEMAS	0	0	0
ENVIRONMENTAL ENGINEERING & UTILITIES	60	0	0
PROPERTY	0	0	75
PPB HEAD OFFICE	0	0	0

SUSTAINABILITY STATEMENT



Massimo's bread roll production line.

There have been no workplace fatalities in the Group over the past two years. Unfortunately, a single fatality occurred in 2014 in our flour and feed milling division, during the demolition of a silo in Johor Bahru, where a worker employed by a third-party contractor suffered a fatal fall. The accident was reported to the Department of Occupational Health and Safety.

Dust explosions

Dust explosions can be a major hazard in mills and bakeries and typically occur where high concentrations of suspended combustible material ignite due to friction, electrical discharge or surface heat. Such explosions occurring in confined spaces can cause injury to personnel and major damage to structures and equipment.

Our food production operations have a division-specific statement of compliance with Standard C stipulated under the Environment Quality (Clean Air) Regulations 2014, which sets a standard dust concentration limit of 0.4 g/Nm³.

The Group's flour and feed milling divisions are covered by their respective Occupational Health and Safety Policies, and report on LTA rates and fatalities. Both divisions have a target of zero industrial accidents.

Hazardous chemicals

The handling of hazardous chemicals was a prominent workplace issue identified in our food production and contract manufacturing divisions. These divisions have specific statements of compliance and detailed standard operating procedures. Specific training on chemical handling is provided to all relevant personnel across PPB Group divisions on an annual basis.

Noise pollution

Occupational noise is linked to long-term hearing loss, especially where employees are exposed to a variety of continuous and intermittent noise from processes and machinery. This makes noise a significant material issue for our property, food and manufacturing divisions where specific policies are in place to protect workers from damaging noise levels. We have also implemented a system to mitigate noise pollution as far as possible at facilities in these divisions. A KPI based on the total area (m²) exposed to noise levels above 85 dB has been established at our flour and feed milling plant in Pulau Indah, and we continually work to reduce this space.

ADVANCING OUR MARKETPLACE

We believe that being a good corporate citizen advances our business success by contributing to a healthier marketplace. Economic performance, corporate governance and customer engagement are among the key material issues for our businesses as a whole.

SUSTAINABILITY STATEMENT

At Group level, marketplace impacts including governance and ethics were deemed to be of high material importance to both PPB Group and stakeholders. The priority issues that emerged from our group analysis were:

- Profit and loss (financial reporting)
- Product quality, safety and halal status
- Customer satisfaction and engagement
- Privacy and personal data protection
- Anti-corruption

OUR CODE OF CONDUCT

Beyond strict adherence to local laws and regulations, every employee is required to comply with our organisation's ethical standards. The code of conduct included in our respective Group staff handbooks explicitly defines our expectations of every employee in terms of business practices and personal conduct.

ANTI-CORRUPTION

The adoption of robust anti-bribery and corruption policies is identified as a major material issue for our business divisions and stakeholders. We have implemented a whistle-blowing mechanism to enable employees to confidentially report any breach, or suspected breach, of any law or of our policies and practices. All complaints are investigated and such breaches can lead to disciplinary measures, including dismissal.

REPORTING ON OUR PERFORMANCE

Accuracy and transparency in financial reporting is of paramount importance for PPB Group and its stakeholders. PPB reports on the Group's financial performance on a consolidated basis and engages stakeholders regularly through quarterly results announcements and e-Investor Updates. We conduct two press and analyst briefings every year to keep our shareholders and the investment community updated.

PPB Group's financial and operational information can be found on our website – www.ppbgroup.com – where stakeholders may also direct enquiries and provide feedback.

PUTTING QUALITY AND SAFETY FIRST

Product and/or service quality and safety were identified as being of high importance to PPB Group operations and stakeholders across every segment without exception. In the food production division, companies must adhere to their quality policies and are covered by division-specific statements on food safety and halal compliance.

All relevant business operations comply with applicable food regulations and standards, including HACCP Certification (MS1480:2007), HACCP Codex Alimentarius Certification, GMP Certification (MS1514:2009), ISO 22000 Food Safety Management System and halal certification.

We have also implemented specific measures to enforce our standards in sector-specific contexts. Our livestock farming division collects data on the mortality rate, body weight, and uniformity and egg production rate of parent stocks and commercial layers. The number of antibiotic treatments administered is also monitored.

Performance on quality and safety parameters is recognised by awards and acknowledgements received by our divisions. For example, our bakery division holds a Silver Putra Brand Award (2015) in the 'foodstuff' category, and a Campus Plus Brand Choice Award (2014) in the 'favourite bread' category.

SUSTAINABILITY STATEMENT

CUSTOMER SATISFACTION AND ENGAGEMENT

We encourage active consideration and incorporation of customer feedback in our business areas and practices. Customer satisfaction and engagement are important material issues that have an impact, both for stakeholders and for the brands and reputation of PPB Group companies. During the 2014–2016 reporting period we have seen a growth in customer feedback in the relevant business areas. In 2016, our cinema division received 73 items of feedback per hundred thousand admissions, which included enquiries on screening times, pricing, subtitles, classifications, promotions, hall bookings and birthday redemptions.

Flour and feed milling, livestock farming and environmental engineering & utilities divisions conduct regular customer satisfaction surveys covering areas such as product quality, timeliness, service levels and staff competence.

In addition, our flour milling division engages extensively with customers on sustainability-related topics through participation in the Supplier Ethical Data Exchange (Sedex) and providing updated details on labour standards as well as ethical and environmental practices.

Complaints handling

The Group business entities monitor customer complaints to assess customer satisfaction, while some use the number of complaints received as a KPI to measure performance. Our contract manufacturing business has an annual target of eight or fewer complaints and has achieved this every year in the reporting period. By comparison, our cinema division received 39 complaints per hundred thousand admissions - mainly about e-payment transactions, cinema services and facilities issues – due to the size and customer-facing nature of its operations.

New engagement initiatives

Customer engagement has been taken to another level to support inclusivity and diversity within our cinema business. GSC has connected with people living with disabilities to find ways to enhance the cinema-going experience for them, and has committed to providing accessible facilities in all new cinemas. GSC has also implemented themed film festivals to help drive interracial and cultural awareness in our communities.

Recognition

We are very proud to report that GSC has won Gold in the Putra Brand Awards for the last three consecutive years. The Putra Awards recognise Malaysia's favourite brands and are based on consumer feedback and satisfaction.

Privacy and personal data protection

With enhanced customer engagement – particularly via digital channels – comes an important responsibility to protect individual privacy and personal data. All relevant PPB business divisions have a formal customer privacy policy and are compliant with the Personal Data Protection Act 2010.



SUSTAINABILITY STATEMENT

ENGAGING OUR COMMUNITIES

We see ourselves as a force for good in the communities where we operate. The key community challenges identified in our segments are demand for greater community consultation and support for local wealth and job creation.

Community engagement has long been an area of corporate interest. Today, however, there is a clear trend towards strategic interventions based on local needs. Stakeholder opinions are now far less influenced by gesture-based initiatives: they demand action on community-directed commitments and measureable progress on issues that make a concrete difference at a local level.

Community engagement themes were ranked at varying levels of importance for the various divisions and stakeholders. The most important material issue for PPB Group was local wealth creation to improve public infrastructure facilities while potential public nuisance was seen by our environmental engineering and utilities division as an understandable issue for certain stakeholder groups.

CREATING WEALTH ON OUR DOORSTEP

Our segment workshops identified local wealth creation as a key material issue for PPB Group companies within the community dimension. This reflects the trend towards more targeted and business-focused community initiatives. Improving livelihoods, growing the local skills base and educating communities are generally considered sound long-term business investments.

PPB assesses its performance in this dimension using a KPI based on community investments made in the reporting year. Between 2014 and 2016 we contributed over RM1.8 million to build local educational capacities, improve living standards for indigenous communities and strengthen community welfare.

PPB-KF Welfare Fund for Perlis

The state of Perlis is special to PPB. Home to our very first operations – a sugar cane plantation – Perlis is where our story began. Following the 2010 divestment of our sugar-related businesses, PPB established a RM10 million endowment fund to benefit the poor and underprivileged people in Perlis. Managed by Kuok Foundation Berhad, the fund has so far spent RM1.05 million, primarily on school uniforms and shoes for more than 4,000 primary and secondary school children as part of the annual Educare Project. In addition, the fund has awarded study grants to 46 students, one-off scholarships to 109 secondary school children and cash donations to deserving welfare homes.

Back to School project

Our Back to School project provides free school uniforms and shoes for underprivileged children across many parts of Malaysia. It has been carried out annually since 2010 and has reached schoolchildren in Sungai Buloh (Selangor), Sentul (Kuala Lumpur), Senawang (Negeri Sembilan), Bagan Serai (Perak), Manek Urai (Kelantan) and Asahan (Melaka). PPB has invested about RM450,000 to date in this project and over 10,000 primary school pupils have had their basic school-going needs met.

In 2016, PPB staff distributed school uniforms and shoes to 1,413 students from 15 primary schools in Asahan, Jasin District, Melaka.

EMPOWERING INDIGENOUS PEOPLES

PPB is committed to engaging with Malaysia's indigenous communities (orang asli), understanding their challenges and improving their livelihoods.

Improving access to amenities

Many orang asli live in remote villages composed of rudimentary dwellings which lack basic amenities. By addressing these needs, including access to clean water, sanitary facilities and sturdy shelter, we aim to help improve living conditions in these communities.

To alleviate the pressing need for clean water, PPB sponsored the construction in 2015 and 2016 of 20 wells for the Jakun orang asli communities in Simpai, Pekan and Tanjong Gong, Tasik Cini. Under the terms of the sponsorship, PPB purchased all materials and the communities supplied the labour.

SUSTAINABILITY STATEMENT

The table below shows the total number of families and individuals served by the sponsored wells.

	Simpai (10 wells) Completed in 2015	Tasik Cini (10 wells) Completed in 2016
Families	49	70
Individuals	158	244

In 2017, we plan to sponsor the construction of 10 new wells for another group of orang asli (still to be identified at the time of reporting). This will bring our total investment in well construction for orang asli communities to approximately RM100,000.

As the number of families using the new wells increases, bathing in open areas around the wells becomes inconvenient. Over the next two years, we plan to focus on the communities we have already sponsored and invest a further RM100,000 on toilets and bathing facilities. As with the construction of wells, PPB will purchase all materials and the communities will supply the labour. This arrangement encourages the communities to take ownership of their well-being and living conditions.

PPB is also currently developing a project to sponsor the provision of materials to build more secure roofing for orang asli homes. We endeavour to improve the lives of orang asli who desire better housing and amenities and are willing to contribute to the construction.

Addressing indigenous education needs

We recognise the need for a long-term and systematic approach to reduce poverty and improve the livelihoods and prospects of the orang asli. For this we believe education is the key, but access is a major challenge for their children. Government schools are located in distant towns, which means children face a long journey before and after school, and once home, the lack of electricity hampers homework and study.

To address this gap we are working with Semenanjung Orang Asli (SEMOA), a non-profit organisation which supports orang asli children through the Orang Asli Education Centre (OAEC). The centre, located at Tras in Raub, Pahang, accommodates and cares for about 100 children aged five and above while they attend local government schools. SEMOA has plans to extend the OAEC to accommodate more students and PPB is interested in supporting this project.



SUSTAINABILITY STATEMENT

TAKING ACTION IN OUR COMMUNITIES

Disaster Relief

The KF Disaster Recovery Fund was set up by PPB in April 2015, together with Kuok Brothers Sdn Bhd and Kuok Foundation Berhad (KFB), in response to the massive floods that hit several east coast states in Peninsular Malaysia in December 2014. Managed by KFB, the fund carries out post-disaster recovery works in Malaysia, such as the rebuilding and repairing of homes for underprivileged people, and helps those affected by natural disasters to regain their livelihoods.

With the assistance of FFM Group, the fund has helped 75 families from villages in Kelantan, including Kota Bahru, Pasir Mas, Tanah Merah, Machang, Temangan, Gua Musang and Kuala Krai.

FFM Group staff also distributed baked goods and other FFM products to needy individuals and families during the floods. After the victims returned to their homes, FFM staff made house-to-house deliveries of items such as cleaning products, mosquito sprays and heavy duty garbage bags to 6,000 families.

Addressing pertinent issues in public spaces

Cheras LeisureMall (CLM), a shopping mall owned and managed by PPB, is becoming a community focal point for awareness campaigns and educational programmes in Cheras, Kuala Lumpur.

On World Kidney Day 2016, CLM organised a public event to raise awareness about kidney disease and the importance of early detection. Health was also the focus during Breast Cancer Awareness month, for which CLM organised the annual Pink Umbrella Walk 2016 in partnership with Pantai Hospital Cheras. Booths were set up to offer free health screenings – including blood pressure, blood glucose and body mass index – and instructions for performing self-examinations. CLM also mobilises a quarterly blood donation campaign to drive public understanding that giving blood saves lives.

Broader health and environmental issues were on CLM's agenda during the reporting period. In September 2016, the mall took part in the "Stop the Haze" campaign, which aimed to educate members of the public about the forest and peat fires that had caused a public health emergency across Southeast Asia. The campaign showcased ways to work towards zero haze in Malaysia.

CLM also organised a Fire Kids Club Safety Workshop in July 2016 to educate the younger generation about fire safety. The Malaysian Volunteer Fire and Rescue Association demonstrated a hands-on approach to handling real-life scenarios, teaching 150 children aged 5 to 11 how to act safely in emergency situations.



SUSTAINABILITY STATEMENT



Driving community awareness on shark conservation

Our cinema division has continued to drive community awareness about the importance of shark conservation. Reducing the demand for shark fins is vital for protecting sharks against extinction and maintaining the health of ocean ecosystems. In 2014, GSC made the “I’m FINished with Fins” corporate pledge, and in 2016 embarked on a seven-month partnership with WWF Malaysia for the “My Fin My Life” campaign targeting the present high level of shark fin consumption.

Bridging cultures through film

To stimulate greater awareness of the arts and cultures of other countries, GSC has dedicated International Screens at key locations exclusively for the screening of award-winning foreign language films.

GSC also partners with various foreign embassies and high commission – including those of France, Japan, Singapore and European Union nations – to run festivals that bring the work of filmmakers from their respective countries to Malaysian audiences.

Autism Awareness 2016

April 2016 was Autism Awareness Month. To help support those affected by the condition, GSC ran a fund-raising campaign in collaboration with Current Pictures Sdn Bhd, a film producer. This included screenings of the film *Redha*, a touching story about a family with an autistic child.

For every ticket sold, RM1 was donated to the National Autism Society of Malaysia (NASOM) and RM30,000 was raised for this cause.

The aim was to raise awareness as well as funds. To promote the campaign, GSC ensured all ground staff wore blue badges and the official campaign colours were deployed across all GSC digital platforms. Headquarters staff also received an introductory talk on autism. To increase public awareness and understanding about the challenges faced by autistic persons and their families, snippets of autism-related information were posted on all GSC’s social media channels.

Supporting local filmmakers and artists

It should be no surprise that GSC is committed to supporting Malaysia’s next generation of filmmakers. In 2016, GSC sponsored the launch of the 10th BMW Shorties at GSC Pavilion in Kuala Lumpur. BMW Shorties is a cultural initiative by BMW Group Malaysia to provide amateur filmmakers with a platform to showcase their talent and creativity. GSC gave RM12,533 in donations and in-kind contributions to the event.

GSC also encourages local talent in other artistic fields. In support of local street art, GSC engaged local graffiti artist Mahathir Masri, better known as THEY, to decorate the exit hallways at GSC Mid Valley. His work combined characters from his favourite films, including the Star Wars, Fast and the Furious and Marvel superhero movies, infusing his own graffiti style in the process. THEY also designed limited edition T-shirts sold to the public to raise RM30,000 for the children of Persatuan Kebajikan Kanak-Kanak Cornerstone charity.

GSC now provides opportunities for other talented local street artists to decorate its cinema walls with movie-related graffiti. Movie-goers can spot exciting graffiti works in GSC IOI City Mall and GSC Ipoh Parade amongst others, as GSC brings contemporary street art into cinemas nationwide.

23 March 2017

