

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0145
COMPANY NAME : TFP SOLUTIONS BERHAD
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board assumes full responsibilities for the overall performance of the Company and its subsidiaries by setting the policies, establishing goals and monitoring the achievement of the goals through strategic action plans and careful stewardship of the Group's assets and resources. It focuses on financial performance and crucial business issues, like principal risks and their management, succession planning for senior management, investor relations programme and shareholders communication policy, systems for internal control and compliance with laws and regulations.</p> <p>To ensure the effective discharge of its function and duties, the principal responsibilities of the Board include the following:-</p> <p>(a) <u>Review and adopt strategic business plans for the Company</u></p> <p>The Board contributes to the development of the Group's strategic planning and directions and subsequently monitoring the implementation of the strategic business plan by Management.</p> <p>The Group has in place an annual business strategy planning and business target session. The Management and business unit heads will present to the Board its recommended strategy, together with proposed business plans, including new products and introduction of new market penetration, if any, for review and approval.</p> <p>The Board will deliberate and suggest Management to take into consideration the varying opportunities and risks whilst developing the strategic business plan. Ultimately to ensure optimised returns for the Company and the Group.</p>

	<p>(b) <u>Oversee the conduct of the Company's business</u></p> <p>The Management which is lead by the Key Senior Management are responsible, with the support of the Board, for the day-to-day management of the business and operations of the Group.</p> <p>The Board monitors the performance of Management on a regular basis via insertion of the agenda items in the scheduled Board meetings:-</p> <ul style="list-style-type: none"> - To review the Group's performance for the quarterly financial results; and - To be aware of the updates and progress of key initiatives, business targets and achievements to-date. <p>The Key Senior Management would also inform and provide clarification on the challenges and issues faced by Management and business units.</p> <p>(c) <u>Identify the principal risks and implement appropriate internal controls and mitigation measures</u></p> <p>The Board is ultimately responsible for the Group's system of internal control and risk management, which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity.</p> <p>Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.</p> <p>The Audit Committee reviews the action plan implemented by the Company and makes relevant recommendations to the Board to manage risks. Further explanations on such processes are disclosed in the Statement on Risk Management and Internal Control on pages 029 to 031 of this Annual Report.</p> <p>(d) <u>Succession planning</u></p> <p>The Board views succession planning as important for business continuity. It is acknowledged that with succession planning, the key job vacancies created due to retirement and resignation would be filled quickly and without any business interruption. Succession planning includes the appointment of, training for, fixing the compensation of and where appropriate, replacement of senior management.</p>
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	<p>Management has in place, an informal structure and practice to ensure key roles within the Group are supported by competent and calibre second-in-line to reduce the impact of abrupt departure of key personnel to the minimum possible. There is a formal organisation structure for the Group with delineated lines of authority, responsibility and accountability. It fosters and promotes the continual development of key employees and ensures that key positions maintain some measure of continuity, thus enabling the Group to achieve business objectives. The succession planning of the Group is enhanced by the policies and standard operating procedures as well as job descriptions established for key business processes within the Group.</p> <p>(e) <u>Oversee the development and implement a shareholders communication policy for the company</u></p> <p>The Board communicates with shareholders at shareholders' meetings and through the distribution of its annual reports. The Chairman normally chairs these meetings where he will use this as an opportunity to inform shareholders of the Company's affairs including its performance.</p> <p>The Board strives to provide shareholders and investors accurate, useful and timely information about Company's businesses and activities via timely release and updates on the Company's corporate website of quarterly financial results, press releases and announcements (if any). In addition, shareholders and investors can make inquiries and get information about investor relations matters via the e-mail address available on the Company's corporate website.</p> <p>(f) <u>Review the adequacy and integrity of the Group's internal control systems and management information systems</u></p> <p>The Board and Management continuously take measures to strengthen the control environment and to improve our system of internal control. The Group has outsourced its internal audit function to a professional services firm to provide the Audit Committee and the Board with the assurance they require pertaining to the adequacy and effectiveness of internal control systems.</p> <p>Details pertaining to the Group's internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Control in this Annual Report.</p> <p>The Board has delegated some of its duties and responsibility to various committees within the Board. Currently the Board has established four (4) Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee, and Risk Management Committee to assist the Board in the deliberation of issues within their respective functions and terms of reference. The Board receives regular reports on the respective Committees'</p>
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	<p>proceedings and deliberations. On matters reserved for the Board and where the Committees have no authority to make decisions, recommendations are highlighted in their respective reports for the Board’s deliberation and endorsement.</p> <p>The Board meets in person at least once every quarter to facilitate the discharge of their responsibilities. Additional meeting will be convened when the needs arise.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>Datuk Seri Syed Ali bin Abbas Alhabshee is the Non-Independent Non-Executive Chairman of the Company. The Chairman of the Board leads the Board with a keen focus on governance and compliance.</p> <p>The roles and responsibilities of the Chairman are set out in the Board Charter of the Company includes:</p> <ul style="list-style-type: none">• Providing overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions.• Participating in the selection of Board members and ensuring that the membership is properly balanced.• Setting agenda for Board meetings, usually in conjunction with the Management and Secretary. The Chairman should ensure that the agenda and all necessary background paper are given to Directors in sufficient time to enable the papers to be adequately considered before the meeting.• Chairing meetings of the Board in such a manner that will stimulate debate on the issues before the Board and encourage the most effective contribution from each Director.• Reviewing the minutes of meetings of the Board before meeting, to ensure they accurately reflect the Board's deliberations, and matters arising from the minutes and on which further action is required have been addressed.• Ensure the Company provides an orientation and education program for new directors.• Initiating, normally in conjunction with the Management, the formulation of a business plan to ensure that the Board establishes at the beginning of each year the goals it wishes to achieve and the means by which this will be carried out.• Initiating the establishment of Board Committees and ensuring that they achieve their objectives.• Fastening high corporate governance. <p>A copy of the Board Charter of the Company is available on the Company's website at www.tfp.com.my.</p>
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and Chief Executive Officer ("CEO") of the Company are held by two (2) different individuals. There is a clear division of responsibilities between two roles, which is clearly defined in the Board Charter, to ensure that there is an appropriate balance of power and authority.</p> <p>Currently, Datuk Seri Syed Ali bin Abbas Alhabshee is the Non-Independent Non-Executive Chairman of the Board while the position of the Executive Director cum CEO is held by En Abdul Latib Bin Tokimin.</p> <p>As the Board Chairman, Datuk Seri Syed Ali bin Abbas Alhabshee led the Board ensure the effectiveness of the Board, and his executive position lends advantage to act as an informal link between the Independent Directors and the Management. Meanwhile, En Abdul Latib Bin Tokimin focuses on the business, organisational effectiveness and day-to-day management of the Group, and reports, clarifies and communicate matters to the Board.</p> <p>The clear distinction roles and responsibilities of the Chairman and CEO are defined in the Board Charter which is available on the Company's website at www.tfp.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company is supported by 2 suitably qualified and competent company secretaries. Both company secretaries are qualified Chartered Secretaries under Section 235(2)(a) of the Companies Act namely Mr Tan Tong Lang (MAICSA 7045482), a member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators ("MAICSA") and Ms Thien Lee Mee (LS 0009760), a Lisenced Company Secretary by the Companies Commission of Malaysia.</p> <p>The Company Secretaries attend and ensure the Board meetings are properly convened, and that accurate and proper record of the proceedings and resolutions passed are taken and maintained in the statutory register at the registered office of the Company. The Company Secretaries work closely with Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Directors and Management.</p> <p>In addition to acting as the custodian of the Company's and the Group's statutory records, the Company Secretaries serve and advise the Board on matters relating to the affairs of the Board and good corporate governance practices. All the Directors have access to the advice and services of the Company Secretaries as and when required.</p> <p>The roles and responsibilities of the Company Secretaries are set out in the Company's Board Charter, which is available on the Company's website at www.tfp.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant board papers shall be forwarded to each director no later than seven (7) days before the date of the meeting.</p> <p>This is to ensure that board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the board paper and seek for any clarification as and when they may need advice or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.</p> <p>The Board has access to all information within the Company to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.</p> <p>In addition, Board members can seek further advice or clarification from Management when required.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had formalised a Board Charter setting out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance set by the regulatory authorities. The Board Charter will be reviewed, where necessary, to incorporate updates and enhancements to the existing rules and regulations.</p> <p>The Board undertakes to review the Board Charter regularly. On 23 August 2018, the Board reviewed and approved to reflect the changes of the existing rules and regulations.</p> <p>The Board charter is available on the Company's website at www.tfp.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	The Company has established a Code of Conduct. The purpose of the Code of Conduct is to ensure that all employees and Director maintain and enforce a high standard of ethics and conduct in the performance of their duties and responsibilities throughout the organisation. The Code of Conduct of the Company is available at the Company's website at www.tfp.com.my .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has established its whistleblowing policy. This policy and procedure aim to provide and facilitate a mechanism to enable staff and other members of the Group to voice concerns in a responsible and effective manner.</p> <p>This policy is designed to enable employees to raise concerns internally and at a high level and to disclose information which the individual believes shows malpractice or impropriety. This policy is intended to cover concerns which are in the public interest and may at least initially be investigated separately but might then lead to the invocation of other disciplinary or criminal procedures.</p> <p>A copy of the whistleblowing policy is available on the Company's website at www.tfp.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial year 2018, the Board consisted of six (6) members, comprising 3 Independent Directors as follows:</p> <ul style="list-style-type: none">a. One (1) Non-Independent Non-Executive Chairmanb. One (1) Managing Directorc. One (1) Executive Director cum CEOd. Three (3) Independent Non-Executive Directors <p>The Board comprises members with relevant expertise and experience drawn from business, financial and technical fronts which strengthened leadership and management.</p> <p>Besides complying with existing rules and regulations on the Board's composition (including independence), the Board believes that such a size would promote effective deliberation, encourage the active participation of all its Directors and allows the work of its various Board Committees to be discharged without giving rise to an over- extension of time and commitment of each Director who may be required to serve on multiple Board Committees.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors comprise of a collective of individuals having an extensive complementary knowledge and competencies, as well as expertise to make an active, informed and positive contribution to the management of the Group in terms of the business' strategic direction and development. The appointment of the Board and its Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.</p> <p>The Nomination Committee ("NC") will assess the suitability of the candidates before formally considering and recommending them for appointment to the Board or senior management. In proposing its recommendation, the NC will consider and evaluate the candidates' required skills, knowledge, expertise, competence, experience, characteristics, professionalism. For appointment of Independent Directors, considerations will also be given on whether the candidates meet the requirements for independence as defined in AMLR of Bursa Securities and time commitment expected from them to attend to matters of the Company in general, including attending meetings of the Board, Board Committees and Annual General Meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board affirms its commitment to Boardroom diversity as a truly diversified Board can enhance the Board’s creativity. The Company has a proper Diversity Policy in place and is accessible on the Company’s website at www.tfp.com.my.</p> <p>The Group is an equal opportunity employer which all appointments and employments are based on merit, having regard to those competencies, expertise, skills, background and other qualities identified from time to time by the Board as being important.</p> <p>The Board currently has one (1) female member. The one (1) female member on the Board provide the Board with gender diversity that serves to bring value to Board discussions from the different perspectives and approaches of the female Directors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board appoints the members through a formal and transparent selection process which various criteria's such as age, skills, experiences, expertise and etc are taking into considerations.</p> <p>New candidates will be considered and evaluated by the Nomination Committee before recommending to the Board for the appointment. The Board adopts a flexible approach when selecting and appointing new Directors onto the Board.</p> <p>During the financial year ended 31 December 2018, the Board had on 1 November 2018 appointed En Abdul Latib Bin Tokimin as Executive Director cum Chief Executive Officer of the Company.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Nomination Committee is, Encik Noor Shahwan Bin Saffwan.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial year 2018 (“FYE 2018”), the Board, through the Nomination Committee (“NC”), has conducted the following annual assessments to determine the effectiveness of the Board, its committees and each individual Director:</p> <ul style="list-style-type: none"> a) Directors’ self/peer evaluation; b) Board and Board Committee performance evaluation; c) Audit Committee members’ peer evaluation; and d) Assessment of Independent Directors. <p>During FYE 2018, the assessments were facilitated by the Company Secretaries making references to the guides available. All results were reported to the Board for notation and discussion and where required, further improvements.</p> <p>Based on the aforesaid evaluations conducted for the FYE 2018, the NC and the Board were satisfied with the performance of each of the Director, the Board as a whole, and the Board Committees.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee ("RC") is responsible for the development of Remuneration Policy as stated in the Terms of Reference of RC.</p> <p>The Board has in place policies and procedures to determine the remuneration of Directors. The policy on Directors' remuneration practiced by TFP is to provide the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of TFP. The remuneration packages of the Executive Director ("ED") are structured to be commensurate with the experience, knowledge and professional skills of the ED and are also structured so as to link between with corporate and individual performance.</p> <p>The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned.</p> <p>The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>As at the date of this Report, the Remuneration Committee ("RC") consists of three (3) members, all of whom are non-executive directors and all of them are independent directors.</p> <p>The RC reviews the remuneration package of the Directors and Senior Executives and makes recommendations on the same to the Board for approval. In its review, the RC considers various factors, among others, the compensation levels for comparable positions among other similar listed companies, their fiduciary duties, time commitments expected of them and the Group's performance.</p> <p>The Terms of Reference of the Remuneration Committee is available on the Company's website at www.tfp.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	Detailed disclosure on named basis for the remuneration package of individual directors is disclosed in the Page 025 of the Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The disclosure of senior management personnel's names and various remuneration components (salary, bonus, benefits in-kind, and other emoluments) would not be in the best interest of the Group due to confidentiality and security concerns.	
		The Board is of the view that such disclosure would have adverse effect on the Company's talent retention in the highly competitive industry. The disclosure of Key Management's (as defined therein) remuneration has been made in note 30 of the financial statements for year ended 31 December 2018.	
		The Board ensures that the remuneration of senior management is commensurate with the performance of the Company, with due consideration to attract, retain and motivate senior management to lead and run the Company successfully.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of Audit Committee ("AC") and Chairman of the Board are separate person. The Chairman of AC is Encik Noor Shahwan Bin Saffwan, an Independent Non-Executive Director, who is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	None of the members of the Board are former key audit partners of the Group. As such, there is no such person being appointed as a member of the Audit Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, through the Audit Committee ("AC"), has put in place policies and procedures to assess the suitability, objectivity and independence of the external auditors, as well as policy governing the circumstances under which contracts for provision of non-audit services can be entered into by the external auditors. These policies and procedures are stated in the AC's Terms of Reference.</p> <p>During the financial year 2018 ("FY2018"), the AC also meets once with the External Auditors without the presence of the Executive Directors and management to review on any concerns/issues affecting their audit, including the level of cooperation rendered by management relating to their access to financial information and accounting records.</p> <p>The External Auditors have also provided the required independence declaration to the AC and the Board for the FY2018.</p> <p>A more detailed activities of the AC during the FY2018, including the evaluation of the independent audit process, are set out in the AC Report of TFP's 2018 Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises three (3) members of whom all are Independent Non-Executive Director. The Company has complied with Rule 15.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee's Terms of Reference has clearly stated the majority of Audit Committee members shall be Independent Directors. All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be :-</p> <ul style="list-style-type: none">a. A member of the Malaysian Institute of Accountant ("MIA"); orb. If he is not a member of MIA, he must have at least three (3) years of working experience and:<ul style="list-style-type: none">i. He must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; orii. He must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; orc. Fulfils such other requirements as prescribed or approved by Bursa Securities. <p>All Audit Committee members are financially literate and are able to understand matters under the purview of the Audit Committee including financial reporting process. The qualification and experience of each of the Audit Committee members are disclosed in the Board of Directors' Profile in the Company's Annual Report 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has established a sound risk management and internal control system as well as reviewing its adequacy and effectiveness.</p> <p>Further details on the states of the Group’s risk and internal controls can be found in the Statement on Risk Management and Internal Controls in the Company’s Annual Report 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has disclosed the key features of its risk management and internal control system as well as its adequacy and effectiveness in the Statement on Risk Management and Internal Control in the Company’s Annual Report 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board has established a Risk Management Committee.</p> <p>The members are as follows:-</p> <ol style="list-style-type: none">1. Ms. Yeong Siew Lee (<i>Independent Non-Executive Director</i>)2. En. Noor Shahwan Bin Saffwan (<i>Independent Non-Executive Director</i>)3. Dato' Hussian @ Rizal Bin A. Rahman (<i>Managing Director</i>)4. En. Abdul Latib Bin Tokimin (<i>Executive Director cum Chief Executive Officer</i>)5. Mr. Foong Siang Ming (<i>Chief Operating Officer of Sales & Operation</i>)6. Mr. Vincent Yong (<i>Head of Corporate Finance</i>)

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The internal audit function of the Company is carried out by an outsourced professional service firm namely SF Chang Corporate Services Sdn. Bhd. ("SF Chang"), which reports functionally to the Audit Committee with unrestricted access to the Audit Committee. The head of the internal audit function or his representative attends the Audit Committee meetings to report to the Audit Committee on their findings of the effectiveness of the governance, risk management and internal control processes within the Group.</p> <p>It is the responsibility of the Internal Auditors to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group.</p> <p>During the year ended 31 December 2018, the Internal Auditors had carried out the audit activities for the following four (4) areas in accordance with their Audit Plan which was approved by the Audit Committee:</p> <ul style="list-style-type: none"> • Review of material cost; • Review TFP website for compliance to MCGG; • Review of Quarterly Bursa Announcements; • Due Diligence review on proposed acquisition of Jejak Semangat Sdn Bhd and Smart1 Education Sdn Bhd. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has appointed an external Internal Audit Firm, namely SF Chang Corporate Services Sdn Bhd to carry out the internal audit function of the Group. The external Internal Auditors reports to the Audit Committee and assist Audit Committee in reviewing the effectiveness of the internal control systems of the Company.</p> <p>The Internal Audit function is carried out in accordance with The International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (“IIA”). The Internal Audit team is made up of 3 personnel headed by Mr Chang Siew Foong, a qualified professional and they are free from any relationships or conflicts of interest which could impair their objectivity and independence.</p> <p>A risk-based approach is adopted in establishing the internal audit program where major risk areas will be identified. The audits are carried out based on the detailed audit procedures as stated on the audit program designed for each of the audit area based on the level of risks identified.</p> <p>The internal audit activities are carried out in accordance with the internal audit plan which is designed to assess the adequacy, efficiency and effectiveness of the Group’s internal control and management reporting system.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is mindful on the importance of maintaining proper corporate disclosure procedures with the aim to provide shareholders and investors with comprehensive, accurate and quality information on a timely basis.</p> <p>In line with best practices, the Board strives to disclose price sensitive information to the public as soon as practicable through Bursa Securities and the Group's website at www.tfp.com.my.</p> <p>The Company maintains various methods of dissemination of information which is important to shareholders, stakeholders and the public at large through timely announcement of events, quarterly announcement of financial results and product information on the Company's website. The Company has also make sure all the information updated in timely manner in the Company's website including profile of Directors and any information on the Group's products and services.</p> <p>The Company has also provided shareholders a way of face-to-face communications during the Annual General Meeting. Shareholders are encouraging to participate in the open questions and answering session during the Annual General Meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable as the Company is not a Large Company as defined by the MCCG.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The notice of 12 th Annual General Meeting (“AGM”) of TFP dated 29 March 2019 was issued to shareholders 26 days prior to the AGM held on 3 April 2019, well in advance of the 21 days requirement under the Companies Act, 2016 and ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. This provides the shareholders with sufficient time to consider the resolutions that will be discussed and decided at the 12 th AGM.	
		The notice of 12 th AGM outlines the resolutions to be tabled in the AGM together with explanatory notes and background information on enable the shareholders to make informed decisions in exercising their voting rights.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors attended TFP's 11th Annual General Meeting ("AGM") held on 25 June 2018. Apart from Directors, Senior Management and external auditors also attended the AGM.</p> <p>The Directors have confirmed their attendance for the forthcoming AGM to be held on 3 April 2019, barring unforeseen circumstances.</p> <p>Directors including the Chairman of Audit, Nomination and Remuneration Committee will attend the 12th AGM, to enable the respective Chairman of Committees and Directors to provide meaningful response to questions addressed to them.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Based on the past trend of number of shareholders, the Company does not have a large number of shareholders. Also, a large majority of shareholders are Malaysians. As such, the concern over voting in absentia and/or remote shareholders' participation at AGM do not apply.	
		As of now, the Company encourages participation of shareholders through the issuance of proxies when there is indication that shareholders are unable to attend and vote in person at general meetings and maintain the same location for the AGM for the past years.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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