

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 7211  
**COMPANY NAME** : TAFI INDUSTRIES BERHAD  
**FINANCIAL YEAR** : December 31, 2020

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible to stakeholders for achieving TAFI Industries Berhad (“TAFI”) strategic objectives and to deliver sustainable growth in maximising shareholder value and safeguarding stakeholders’ interest. The Board’s core responsibilities include the setting of direction and overall stewardship of TAFI. The Group Managing Director (“Group MD”), assisted by Executive Directors and the management, is accountable for strategic business direction, plans and policies of the Group, overseeing the management in its day-to-day running of the TAFI and its subsidiaries (“Group”).</p> <p>The major responsibilities of the Board are disclosed in the Board Charter of TAFI which is available at TAFI’s website at <a href="https://welcome.tafi.com.my">https://welcome.tafi.com.my</a>.</p> <p>Other than that, the Board, together with the three (3) Committees, namely Audit Committee, Nominating Committee and Remuneration Committee have performed their fiduciary duties according to their respective Terms of Reference as disclosed in the appendices of Board Charter, which are available on the Company’s website at <a href="https://welcome.tafi.com.my">https://welcome.tafi.com.my</a> in order to achieve the strategic objectives of TAFI.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>On 30 October 2020, Dato' Sri Ong Chee Kean had appointed as Non-Independent Non-Executive Chairman of the Board.</p> <p>The role and responsibility of the Chairman are detailed in the Board Charter of TAFI, which is available at the TAFI's website at <a href="https://welcome.tafi.com.my">https://welcome.tafi.com.my</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Currently, the positions of Chairman, Group MD and Group Chief Executive Officer ("Group CEO") are held by three different individuals, namely Dato' Sri Ong Chee Kean, Dato' Sri Azlan Bin Azmi and Dato' Sri Wong Sze Chien respectively.</p> <p>There is a clear segregation of duties and responsibilities between the Chairman of the Board, Group MD and Group CEO to ensure the balance of power and authority.</p> <p>The Chairman leads and manages the Board on the Group's overall strategic direction, governance and compliance.</p> <p>The Group MD together with Group CEO have overall responsibility for the Group's operational and business units, overall effectiveness and implementation of board policies, directives and strategies. They also function as the intermediary between the Board and the Management to ensure that Board decisions are carried out by the Management.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>TAFI appointed a qualified Company Secretary, namely Ms. Ng Bee Lian, who plays an advisory role to the Board particularly relating to TAFI's Constitution, Board policies and procedures and its compliance with regulatory requirements, especially with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("the MMLR of Bursa Securities") and the Companies Act, 2016 ("CA2016").</p> <p>Ms. Ng Bee Lian is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and is qualified to act as Company Secretary pursuant to Section 235(2) of the CA2016.</p> <p>Below is a summary of the relevant activities in the financial year ended 2020 carried out by the Company Secretary:-</p> <ul style="list-style-type: none"><li>• Organised and attended all Board and Board Committee meetings and ensured that meeting procedures were followed and deliberations at such meetings were well minuted;</li><li>• Prepared meeting agenda and documents required for the shareholders' meetings;</li><li>• Released announcements and submitted annual financial statements and annual reports to Bursa Securities on timely manner;</li><li>• Updated the Board on the amendments to the CA2016, the MMLR of Bursa Securities and guidelines, and brought to the attention of the Board all circulars from Bursa Securities;</li><li>• Highlighted to the Board on all compliance and governance issues and advised the Board on achieving the highest standard of corporate governance in accordance to the recommendations in Malaysia Code Corporate Governance; and</li><li>• Recommended available training programs for the Directors to attend.</li></ul> <p>The Board had on 1 January 2021 appointed a Joint Secretary who is a member of Licensed Secretary of Companies Commission of Malaysia and is qualified to act as company secretary of the Company pursuant to Section 235(2) of the</p>

	CA2016.  The Company Secretaries constantly keep themselves abreast of the regulatory changes and developments in governance through the updates from Bursa Securities, MAICSA and the Companies Commission of Malaysia.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>For the financial year ended 31 December 2020, a total of five (5) scheduled Board meetings, two (2) special Board meetings, five (5) scheduled Audit Committee meetings, one (1) Nominating Committee meeting and one (1) Remuneration Committee meeting were held during the year.</p> <p>Each meeting is conducted in accordance with a structured, formal agenda prepared by the Company Secretary in consultation with the management. The notice and agenda for each meeting is transmitted to each Board member at least seven (7) days in advance of the meeting followed by the hard copies of the relevant Board Papers, containing information pertinent to the matters to be deliberated at the forthcoming meeting and any other information the Directors may additionally require on the agenda items, to reach the Directors at least a week before the scheduled meeting. The draft minutes are circulated to the Board or the Board Committee for review and comments in a timely manner. The minutes would be confirmed and signed by the Chairman at the forthcoming meeting.</p> <p>Besides the Company Secretary and Finance &amp; Administrative Manager attend each Board meeting, as well as every Audit Committee meeting, during the financial year ended 31 December 2020. Other senior staff may be invited to attend certain meetings if so required.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The first Board Charter of TAFI was adopted by the Board in 2014.</p> <p>The latest Board Charter of TAFI which is available on the TAFI's website at <a href="https://welcome.tafi.com.my">https://welcome.tafi.com.my</a> had revised and adopted by the Board on 16 October 2020.</p> <p>The Board Charter will be reviewed on a periodic basis, but at least once every two (2) years, and may be amended by the Board from time to time to be relevant and up-to-date.</p> <p>In future, any amendments to be made in the said Board Charter shall be reviewed and approved by the Board and it shall upload to the TAFI's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is guided by the Directors' Code of Ethics in discharging its oversight role effectively. The Code of Ethics requires all Directors to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders.</p> <p>The major responsibilities of the Board are as follows:-</p> <ol style="list-style-type: none"><li>1. Reviewing and adopting a strategic plan for the Group</li></ol> <p>The role of the board is to review, challenge and approve management's proposal of a strategic plan for the Group. The board brings objectivity and breadth of judgment to the strategic planning process as they are not involved in day-to-day management of the business. The board should satisfy itself that management has taken into account all appropriate considerations in establishing the strategic plan for the Group. The board is also responsible for monitoring the implementation of the strategic plan by management.</p> <ol style="list-style-type: none"><li>2. Overseeing the conduct of the Group's business</li></ol> <p>A basic function of the board is to oversee the performance of management to determine whether the business is being properly managed. The board's obligation to oversee the performance of management contemplates a collegial relationship that is supportive yet vigilant. Therefore, the board must ensure that there are measures in place against which management's performance can be assessed.</p>

	<p>3. Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures</p> <p>The board must understand the principal risks of all aspects of the Group’s business and recognise that business decisions involve the taking of appropriate risks. This is intended to achieve a proper balance between risks incurred and potential returns to shareholders. The board must therefore ensure that there are systems in place which effectively monitor and manage these risks.</p> <p>4. Succession planning</p> <p>The board should ensure that all candidates appointed to senior management positions (i.e. position of General Manager and above) are of sufficient calibre. The board should also be satisfied that there are programmes in place to provide for the orderly succession of senior management.</p> <p>5. Overseeing the development and implementation of a shareholder communications policy for the Group</p> <p>The responsibility of the board is to ensure that the Group has in place a policy to enable effective communication with its shareholders and other stakeholders. This policy should include how feedbacks received from its stakeholders are considered by the Company when making business decisions.</p> <p>6. Reviewing the adequacy and the integrity of the management information and internal controls system of the Group.</p> <p>The board has to ensure that there is a sound framework of reporting on internal controls and regulatory compliance.</p> <p>In performing the responsibilities of the Board, the Board should be in line with the Code of Conduct and Ethics. For further details, the Code of Conduct and Ethics is also available on Board Charter, a copy is published on the Company’s website at <a href="https://welcome.tafi.com.my">https://welcome.tafi.com.my</a>.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>A whistleblowing policy was adopted by the Company on 23 November 2020 and the said policy had been published on the Company's website at <a href="https://welcome.tafi.com.my">https://welcome.tafi.com.my</a>.</p> <p>The public and the employees who reasonably believe that inappropriate practices or conduct are occurring should raise the issue with the Group MD or Group CEO by email to <a href="mailto:whistleblowing@tafur.com.my">whistleblowing@tafur.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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 directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Currently, the Board of TAFI comprises of seven (7) Directors i.e. three (3) Independent Non-Executive Directors (“Independent NEDs”), a Non-Independent Non-Executive Chairman and three (3) Executive Directors, two of whom serves as the Group MD and Group CEO.</p> <p>All the three (3) Independent NEDs, namely Mr, Teh Soon Hin, Mr. Leong Boon Tik and Mr. Leong Sher-How had satisfied the independence test under the MMLR of Bursa Securities.</p> <p>The Board takes cognisance that the current composition of the Board is not aligning with the desired practice of at least half to comprise of independent directors.</p> <p>However, Dato’ Sri Ong Chee Kean, the Non-Independent Non-Executive Chairman of the Company, is keen to express his opinions constructively during board meetings and help to reinforce the check and balance of the Board’s decision making process.</p> <p>The lack of majority independent directors in the current Board composition does not jeopardise independent Board’s deliberations and all decisions are made in the best interests of the Company.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	As the Board finds that the current composition does not affect the function and the effectiveness of the Board as a whole, the adoption of desired practice will only be considered if there is difficulty/dispute/imbalance occur.
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	<p>The Company has in place a policy that the tenure for an independent director shall not exceed nine (9) years and upon the completion of the ninth year, the independent director may continue to serve on the Board as non-independent director. Where the Board intends to retain the independent director beyond nine (9) years, it must justify and seek annual shareholders’ approval. If the Board continues to retain the independent director after twelfth year, the Board shall seek annual shareholders’ approval through a two-tier voting process.</p> <p>Currently, the Company did not have independent directors whom serve more than 9 years.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board has adopted 9 years and after the 12<sup>th</sup> year policy for independent directors and taking into account the need for progressive refreshing of the Board.</p> <p>Currently, none of the independent director has served the Company for more than 9 years.</p>



### 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.

<b>Application</b>	:	Applied																																													
<b>Explanation on application of the practice</b>	:	<p>The Board encourages a diverse composition which includes but is not limited to age, race, ethnicity, gender, experience, skills and competencies to facilitate effective decision making process by providing different insights and perspective.</p> <p>The Board understands that a diverse board can offer greater depth and breadth in decision making. Diversity at senior management level will also provide constructive debate besides stimulating ideas which leads towards a better outcome for the Company.</p> <p>As at 6 April 2021, the diversity of the Board and the key senior management are as follows:-</p> <table border="1"> <thead> <tr> <th></th> <th><b>Board</b></th> <th><b>Key Senior Management</b></th> </tr> </thead> <tbody> <tr> <td><b>Gender</b></td> <td></td> <td></td> </tr> <tr> <td>Male</td> <td>7</td> <td>3</td> </tr> <tr> <td>Female</td> <td>-</td> <td>2</td> </tr> <tr> <td><b>Total</b></td> <td><b>7</b></td> <td><b>5</b></td> </tr> <tr> <td><b>Age</b></td> <td></td> <td></td> </tr> <tr> <td>30-39</td> <td>2</td> <td>1</td> </tr> <tr> <td>40-49</td> <td>5</td> <td>2</td> </tr> <tr> <td>50-59</td> <td>-</td> <td>2</td> </tr> <tr> <td><b>Total</b></td> <td><b>7</b></td> <td><b>5</b></td> </tr> <tr> <td><b>Ethnicity</b></td> <td></td> <td></td> </tr> <tr> <td>Malay</td> <td>1</td> <td>-</td> </tr> <tr> <td>Chinese</td> <td>6</td> <td>5</td> </tr> <tr> <td>Indian</td> <td>-</td> <td>-</td> </tr> <tr> <td><b>Total</b></td> <td><b>7</b></td> <td><b>5</b></td> </tr> </tbody> </table>		<b>Board</b>	<b>Key Senior Management</b>	<b>Gender</b>			Male	7	3	Female	-	2	<b>Total</b>	<b>7</b>	<b>5</b>	<b>Age</b>			30-39	2	1	40-49	5	2	50-59	-	2	<b>Total</b>	<b>7</b>	<b>5</b>	<b>Ethnicity</b>			Malay	1	-	Chinese	6	5	Indian	-	-	<b>Total</b>	<b>7</b>	<b>5</b>
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<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board acknowledges the importance of gender diversity in Board. However, the Board has yet to adopt any formal gender diversity policy in the selection of new Board member/new Senior Management and also does not have a specific policy on setting targets for female candidates.</p> <p>The Board evaluates a candidate of new Board member/new Senior Management by considering various factors, including skill and expertise, personal qualities, age, educational qualification and capability to discharge a duty effectively.</p> <p>The Group will continue to identify suitable candidates for appointment to the Board as and when vacancies arise.</p> <p>Going forward, gender diversity will be one of the factors to be considered in evaluating prospective candidates when a board vacancy arises.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board delegates to the Nominating Committee the responsibility of making recommendations on any potential candidate for the appointment as a new Director. The Nominating Committee is responsible to ensure that the procedures for appointing new Director are transparent and the appointments are made on the merits. Such appointments would take place only if approved by the Board as a whole.</p> <p>The process for the appointment of a new director is summarised in the following manner:-</p> <ul style="list-style-type: none"> <li>- The candidate identified upon the recommendation by the existing directors, senior management staff, shareholders and/or other consultants;</li> <li>- In evaluating the suitability of candidates to the Board, the Nominating Committee considers the competency, experience, commitment, contribution and integrity of the candidate's independence;</li> <li>- Conduct interview with the potential candidate;</li> <li>- Deliberate the suitability of the candidate by the Nominating Committee and recommend to the Board, which also includes recommendation for appointment as a member of the various board committees, where necessary; and</li> <li>- The Board's deliberation and decision to be made by the Board on the proposed new appointment, including appointment to the various board committees.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied															
<b>Explanation on application of the practice</b>	:	Currently, the Nominating Committee comprised wholly Non-Executive Directors, a majority of whom are independent:- <table border="1" data-bbox="544 696 1396 1144"><thead><tr><th>Name</th><th>Designation in Nominating Committee</th><th>in Directorship</th></tr></thead><tbody><tr><td>Leong Boon Tik</td><td>Chairman</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>Teh Soon Hin</td><td>Member</td><td>Independent Non-Executive Director</td></tr><tr><td>Leong Sher-How</td><td>Member</td><td>Independent Non-Executive Director</td></tr><tr><td>Dato' Sri Ong Chee Kean</td><td>Member</td><td>Non-Independent Non-Executive Chairman</td></tr></tbody></table>	Name	Designation in Nominating Committee	in Directorship	Leong Boon Tik	Chairman	Senior Independent Non-Executive Director	Teh Soon Hin	Member	Independent Non-Executive Director	Leong Sher-How	Member	Independent Non-Executive Director	Dato' Sri Ong Chee Kean	Member	Non-Independent Non-Executive Chairman
Name	Designation in Nominating Committee	in Directorship															
Leong Boon Tik	Chairman	Senior Independent Non-Executive Director															
Teh Soon Hin	Member	Independent Non-Executive Director															
Leong Sher-How	Member	Independent Non-Executive Director															
Dato' Sri Ong Chee Kean	Member	Non-Independent Non-Executive Chairman															
<b>Explanation for departure</b>	:																
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<b>Measure</b>	:																
<b>Timeframe</b>	:																

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee assesses the effectiveness of the Board as a whole and the contribution of each Board committee as well as each individual director on an annual basis and to ensure that the Board and its respective Board committees have the appropriate balance of expertise and ability.</p> <p>The Nominating Committee adopts the peer evaluation method to evaluate the performance of the directors of TAFI. An annual review is conducted to assess the required mix of skills, experience and other qualities, including core competencies which the executive and non-executive directors of TAFI should bring to the Board, identify areas for improvement and review the succession plan for senior management in the Group.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board delegated to Remuneration Committee with the responsibility to establish a formal and transparent procedure for developing policy on remuneration packages of individual directors taking into consideration that for executive directors and senior management, the component parts of remuneration should be structured to link rewards to corporate and individual performance and for non-executive directors, the level of remuneration should reflect the experience and level of responsibility undertaken by the non-executive director concerned.</p> <p>The Remuneration Committee meets at least once a year to review and recommend to the Board on the directors fees and remuneration package of the directors of TAFI.</p> <p>In regards to the Directors' remuneration, TAFI aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run TAFI successfully, taking into consideration all relevant factors, including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal.</p> <p>The Remuneration Committee takes into consideration the contribution, responsibilities and performance of the directors, when deliberating on and making recommendations to the Board on the fees and a remuneration package of the directors of the Company.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		



### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Currently the Remuneration Committee comprises of four (4) Non-Executive Directors and one (1) Group CEO. It complies with its Terms of Reference, a copy is published on the Company's website at <a href="https://welcome.tafi.com.my">https://welcome.tafi.com.my</a>.</p> <p>The followings are the key roles of the Remuneration Committee:-</p> <ul style="list-style-type: none"><li>a) Establish a formal and transparent procedure for developing policy on remuneration packages of individual directors taking into consideration that for executive directors and senior management.</li><li>b) Structure the component parts of remuneration in order to link rewards to corporate and individual performance and for non-executive directors.</li><li>c) Reflect the level of remuneration of the experience and level of responsibility undertaken by the non-executive director concerned.</li></ul> <p>The Remuneration Committee meets once a year for discharging their duties and roles of the Remuneration Committee.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## 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.

<b>Application</b>	:	Applied																																										
<b>Explanation on application of the practice</b>	:	<p>For the financial year ended 31 December 2020, the fees and remuneration packages of the executive Directors and non-executive Directors of TAFI are as follows:-</p> <table border="1"> <thead> <tr> <th>Name of Directors</th> <th>Fees (RM)</th> <th>Salaries (RM)</th> <th>Bonuses (RM)</th> <th>Benefits-in-Kind (RM)</th> <th>Other Emoluments (RM)</th> </tr> </thead> <tbody> <tr> <td colspan="6"><b>Executive Directors</b></td> </tr> <tr> <td>Dato' Sri Azlan Bin Azmi (Group MD) (Appointed on 6.10.2020)</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Dato' Sri Wong Sze Chien (Group CEO) (Appointed on 6.10.2020)</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Dato' Sri Andrew Lim Eng Guan (Executive Director) (Appointed on 6.10.2020)</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>*Dato' Saw Eng Guan (Non-Independent Non-Executive Director) (Resigned on 16.10.2020)</td> <td>16,524</td> <td>176,107</td> <td>0</td> <td>7,754</td> <td>33326</td> </tr> <tr> <td>*Au Gek Keng (Non-Independent Non-Executive Director) (Resigned on 16.10.2020)</td> <td>16,524</td> <td>43,831</td> <td>0</td> <td>0</td> <td>5705</td> </tr> </tbody> </table> <p>* the position of Dato' Saw Eng Guan and Ms. Au Gek Keng be re-designated from Group Managing Director and Executive Director to Non-Independent Non-Executive Directors on 6 October 2020.</p>	Name of Directors	Fees (RM)	Salaries (RM)	Bonuses (RM)	Benefits-in-Kind (RM)	Other Emoluments (RM)	<b>Executive Directors</b>						Dato' Sri Azlan Bin Azmi (Group MD) (Appointed on 6.10.2020)	0	0	0	0	0	Dato' Sri Wong Sze Chien (Group CEO) (Appointed on 6.10.2020)	0	0	0	0	0	Dato' Sri Andrew Lim Eng Guan (Executive Director) (Appointed on 6.10.2020)	0	0	0	0	0	*Dato' Saw Eng Guan (Non-Independent Non-Executive Director) (Resigned on 16.10.2020)	16,524	176,107	0	7,754	33326	*Au Gek Keng (Non-Independent Non-Executive Director) (Resigned on 16.10.2020)	16,524	43,831	0	0	5705
Name of Directors	Fees (RM)	Salaries (RM)	Bonuses (RM)	Benefits-in-Kind (RM)	Other Emoluments (RM)																																							
<b>Executive Directors</b>																																												
Dato' Sri Azlan Bin Azmi (Group MD) (Appointed on 6.10.2020)	0	0	0	0	0																																							
Dato' Sri Wong Sze Chien (Group CEO) (Appointed on 6.10.2020)	0	0	0	0	0																																							
Dato' Sri Andrew Lim Eng Guan (Executive Director) (Appointed on 6.10.2020)	0	0	0	0	0																																							
*Dato' Saw Eng Guan (Non-Independent Non-Executive Director) (Resigned on 16.10.2020)	16,524	176,107	0	7,754	33326																																							
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	Name of Directors	Fees (RM)	Salaries (RM)	Bonuses (RM)	Benefits-in-Kind (RM)	Other Emoluments (RM)
	<b>Non-Executive Directors</b>					
	Dato' Sri Ong Chee Kean (Non-Independent Non-Executive Chairman) <i>(Appointed on 30.10.2020)</i>	5,000	0	0	0	0
	Teh Soon Hin (Independent Non-Executive Director) <i>(Appointed on 16.10.2020)</i>	5,806	0	0	0	0
	Leong Boon Tik (Senior Independent Non-Executive Director) <i>(Appointed on 16.10.2020)</i>	5,806	0	0	0	0
	Leong Sher-How (Independent Non-Executive Director) <i>(Appointed on 16.10.2020)</i>	5,806	0	0	0	0
	Siew Chee Choong (Independent Non-Executive Director) <i>(Resigned on 16.10.2020)</i>	28,548	0	0	0	0
	Ratna Rajah Selvaduray (Independent Non-Executive Director) <i>(Resigned on 16.10.2020)</i>	19,033	0	0	0	0
	Lau Kee Sern (Independent Non-Executive Director) <i>(Resigned on 16.10.2020)</i>	19,033	0	0	0	0
	The Directors concerned would abstain from deliberating their individual remuneration.					
<b>Explanation for departure</b> :						

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

<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b> :	Departure													
<b>Explanation on application of the practice</b> :														
<b>Explanation for departure</b> :	<p>The Board is of the view that this disclosure is disadvantageous to TAFI as it could potentially give rise to security concerns, staff poaching by competitors and conflict between staffs. As an alternative for this disclosure, the Board views that the aggregate remunerations of top 5 Senior Management's remuneration is suffice.</p> <p>The profiles of the five (5) Senior Managements are set out on Page 13 of the 2020 Annual Report, and their total remunerations during the year ended 31 December 2020 are as follows:-</p> <table border="1" data-bbox="459 1176 1423 1303"> <thead> <tr> <th></th> <th>Salary, EPF and Bonuses (RM)</th> <th>Other Emoluments (RM)</th> <th>Benefit-in-Kind (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td><b>Total Top Five (5) Senior Managements</b></td> <td>451,325</td> <td>0</td> <td>0</td> <td>451,325</td> </tr> </tbody> </table>					Salary, EPF and Bonuses (RM)	Other Emoluments (RM)	Benefit-in-Kind (RM)	Total (RM)	<b>Total Top Five (5) Senior Managements</b>	451,325	0	0	451,325
	Salary, EPF and Bonuses (RM)	Other Emoluments (RM)	Benefit-in-Kind (RM)	Total (RM)										
<b>Total Top Five (5) Senior Managements</b>	451,325	0	0	451,325										
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>														
<b>Measure</b> :														
<b>Timeframe</b> :														

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	The senior management's remuneration packages generally follow the Executive Compensation Package of the Group. In order to retain the privacy of the senior management, no disclosure was made.

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Currently, the Audit Committee comprises four (4) members, three (3) are Independent Non-Executive Directors together with a Non-Independent Non-Executive Chairman of the Company.</p> <p>The positions of Chairman of the Board and Audit Committee Chairman are held by two different individuals, namely Dato' Sri Ong Chee Kean and Mr. Teh Soon Hin respectively.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	TAFI has always recognised the need to uphold independence. None of the members of the Board were former key audit partners within the cooling-off period of two (2) years. Hence, there is no such person being appointed as a member of the Audit Committee.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee meets with representatives of Messrs. Peter Chong &amp; Co., the external auditors of TAFI, for a private discussion without the presence of executive board members and employees of TAFI at least twice during each financial year.</p> <p>The Audit Committee also undertook the annual assessment of the suitability and the independence of the external auditors by considering the factors mentioned below to arrive at its recommendation for the re-appointment of Messrs. Peter Chong &amp; Co. as the Group's auditors for the ensuing financial year.</p> <p>To support the Audit Committee's assessment of the External Auditors' independence, the External Auditors will provide the Audit Committee with a declaration of their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. The External Auditors are required to declare their independence annually to the Audit Committee as specified by the By-Laws issued by the Malaysian Institute of Accountants. The External Auditors have provided the declaration in their annual audit plan presented to the Audit Committee of TAFI.</p> <p>The Board had on 6 April 2021 accepted the recommendation of the Audit Committee and approved the proposal to the shareholders at the 17th Annual General Meeting ("AGM") for the re-appointment of Messrs. Peter Chong &amp; Co. as external auditors of TAFI to audit the Group for the financial year ending 31 December 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## 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.

<b>Application</b>	:	Not Adopted															
<b>Explanation on adoption of the practice</b>	:	Currently, the Audit Committee comprised wholly Non-Executive Directors, a majority of whom are independent:- <table border="1"><thead><tr><th>Name</th><th>Designation in Audit Committee</th><th>Directorship</th></tr></thead><tbody><tr><td><b>Teh Soon Hin</b></td><td>Chairman</td><td>Independent Non-Executive Director</td></tr><tr><td><b>Leong Boon Tik</b></td><td>Member</td><td>Senior Independent Non-Executive Director</td></tr><tr><td><b>Leong Sher-How</b></td><td>Member</td><td>Independent Non-Executive Director</td></tr><tr><td><b>Dato' Sri Ong Chee Kean</b></td><td>Member</td><td>Non-Independent Non-Executive Chairman</td></tr></tbody></table>	Name	Designation in Audit Committee	Directorship	<b>Teh Soon Hin</b>	Chairman	Independent Non-Executive Director	<b>Leong Boon Tik</b>	Member	Senior Independent Non-Executive Director	<b>Leong Sher-How</b>	Member	Independent Non-Executive Director	<b>Dato' Sri Ong Chee Kean</b>	Member	Non-Independent Non-Executive Chairman
Name	Designation in Audit Committee	Directorship															
<b>Teh Soon Hin</b>	Chairman	Independent Non-Executive Director															
<b>Leong Boon Tik</b>	Member	Senior Independent Non-Executive Director															
<b>Leong Sher-How</b>	Member	Independent Non-Executive Director															
<b>Dato' Sri Ong Chee Kean</b>	Member	Non-Independent Non-Executive Chairman															

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>Pursuant to its Terms of Reference, the Audit Committee of TAFI is required to meet at least four (4) times in each financial year and additional meetings may be convened if so required.</p> <p>The external auditors and internal auditors may be invited to attend Audit Committee meetings on invitation by the Chairman of the Audit Committee. The external auditors and internal auditors may also respectively request a meeting with the Audit Committee if they consider it necessary.</p> <p>Each of the Audit Committee meetings was dutifully attended by the Company Secretary, Finance &amp; Administrative Manager and the Internal Audit staff on the invitation of the Committee Chairman. All the Audit Committee meetings were also attended by the Group MD and Executive Directors at the invitation of the Audit Committee members.</p> <p>All members of the Audit Committee are financially literate and have sufficient understanding of the Group's business.</p> <p>Both Chairman of the Audit Committee, Mr. Siew Chee Choong and Mr. Teh Soon Hin are MIA members, and they together with their other fellow Audit Committee members, reviews the Company's financial statements in the presence of both the external and internal auditors and with the Finance &amp; Administrative Manager at hand to clarify and address any queries the Audit Committee may have, prior to recommending the financials for approval and issuance to the stakeholders.</p> <p>Each Audit Committee member is encouraged to regularly undergo suitable training programmes to keep themselves abreast of the latest changes and to update their knowledge and each of them is aware of the need to continually undergo training appropriate to their needs in line with Paragraph 15.08(3) of MMLR of Bursa Securities.</p>

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

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board affirms its overall responsibility for the Group's system of internal control and risk management, which includes the review of its adequacy and effectiveness to ensure compliance to policies and procedures and operating standards, so as to enable the Group to achieve its business objectives. The process of identifying, evaluating, monitoring and managing significant risks affecting the achievement of its business objectives is an ongoing process. The Board, however, reiterates that such a system is designed to manage risk rather than eliminate risk of failure to achieve business objectives and provides only reasonable assurance but not absolute assurance against material misstatement or loss.</p> <p>The Board has in place structured process of identifying, evaluating, monitoring and managing significant risks to mitigate the risk in line with business objectives of the Group.</p> <p>The internal audit department functions as an independent party to test the existing controls put in place in accordance to risk-based approach and the internal audit plan. The internal audit plan is reviewed quarterly and if necessary, adjusted to reflect the changes in the Group's operating environment. The internal audit plan is approved by the Audit Committee on an annual basis, and any significant change to the plan will be referred to the Audit Committee for notification prior to the commencement of the internal audit.</p> <p>Audit findings and recommendations for possible improvement to the internal controls of the Group are submitted to the Audit Committee for review and recommendations followed by implementation of corrective actions as and when needed.</p> <p>During the financial year ended 31 December 2020, the internal audit function was alternatively carried out by the Internal Audit Personnel and assisted by Finance &amp; Administrative Manager with close supervision from the Audit Committee.</p>
<b>Explanation for departure</b>	:	

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



### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for the oversight the risk management and internal control to ensure the effective compliance to policies and procedures and operating standards of the Group.</p> <p>The Group has an established risk management framework to determine and control the risk to achieve the objectives of the Group.</p> <p>The Board had also conducted the following key activities of internal control to safeguard shareholders' investments and the Company's assets:-</p> <ol style="list-style-type: none"><li>1. Establishment of Audit Committee;<ul style="list-style-type: none"><li>• The Audit Committee examines and monitors the Group's system of internal control on behalf of the Board.</li><li>• The Audit Committee reviews the report from the internal audit department, usually on a quarterly basis.</li></ul></li><li>2. Limits of authority and responsibility;<ul style="list-style-type: none"><li>• Establishing a clear organisational structure with key job functions and well-defined responsibilities communicated to all levels of the organisation.</li></ul></li><li>3. Written policies and procedures; and<ul style="list-style-type: none"><li>• The Management sets well defined authorisation procedures and exercises strict control to ensure compliance by all levels of employees.</li></ul></li><li>4. Planning, monitoring and reporting.<ul style="list-style-type: none"><li>• The Audit Committee reviews the quarterly unaudited financial results to monitor the Group's progress in achieving the Group's objectives.</li><li>• Review of key performance indicators (KPIs) by Senior Management team on quarterly basis.</li></ul></li></ol>

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

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established an in-house internal audit function, which is held by an Internal Audit Personnel (“IA”) who reports directly to the Audit Committee, administratively to the Group MD.</p> <p>IA Personnel will be accounted with the systematic reviews of risk management, internal control and governance systems of the Group with reasonable assurance that the said systems are operating and will continue to operate satisfactorily and effectively.</p> <p>The Internal Audit Function of the TAFI Group reports functionally to the Audit Committee and administratively to the Group MD during the financial year 2020.</p> <p>It is the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports on the state of the risk management, control and governance processes pertaining to the various operating units within the Group and the extent of their compliance with the Group’s established policies, procedures and relevant statutory requirements.</p> <p>The internal audit function would report to the Audit Committee the results of its audit findings, management’s response and the status of completion of the required follow-up actions by management and any outstanding audit issues which still required corrective actions to ensure an adequate and effective internal control system within the Group.</p> <p>The Audit Committee reviews the adequacy of the IA’s scope, competency, experience and resources of the IA function on 23 November 2020 to ensure that the responsibilities of IA are fully discharged.</p> <p>Further details of the IA activities are set out in the Audit Committee Report and Statement on Risk Management and Internal Control of the TAFI’s 2020 Annual Report.</p>
<b>Explanation for departure</b>	:	

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

### 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>IA Personnel is free from any relationships or conflict of interest that could impair her objectivity and independence in conducting their internal audit functions. She has adequate resources to carry out her duties and audit activities.</p> <p>The IA function of TAFI is carried out in accordance with a risk management, control and governance processes steered by established policies, procedures and relevant statutory requirements.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Boards recognised the importance of maintaining transparency and accountability to their stakeholders. In this respect, information on the Group's financial performance and/or major developments are disseminated to the public as soon as practicable via appropriate channels of communication, which is the Bursa LINK provided by Bursa Securities as well as the Company's website at <a href="https://welcome.tafi.com.my">https://welcome.tafi.com.my</a>.</p> <p>To facilitate the stakeholders' understanding of the Company with respect to the business of the company and its policies on governance, the Company has placed various documents pertaining to the organisation, Board and Management, corporate governance, policies, charters, terms of references as well as other corporate information.</p> <p>The quarterly financial results are announced to Bursa LINK on the same day after obtaining the Board's approval.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Currently the Company has yet to adopt an integrated reporting as the Company is not a Large Company as defined under the Malaysian Code on Corporate Governance.	
	:	As present, the Board is of the view that the Company's Annual Report is comprehensive enough for stakeholders to make an informed decision.  The current annual report provides stakeholders with a fairly comprehensive overview of the Company's financial and non-financial information, information such as a future prospect, Management Discussion and Analysis, Sustainability Report, Corporate Governance Statement and Statement on Risk Management and Internal Control form an integral part of the non-financial information.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>TAFI despatches the notice of its AGM to its shareholders at least 28 days before the AGM, in spite of the 21 days requirement under the TAFI's Constitution and the MMLR of Bursa Securities.</p> <p>The additional time given to the shareholders allows them to make necessary arrangements to attend and participate in person or through corporate representatives or proxies.</p> <p>The notice is also published in a nationally circulated newspaper as required under the MMLR of Bursa Securities.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Directors were presented at the General Meetings to respond to the shareholders' queries.  In addition, the Senior Management of the Company and the External Auditors of the Company are invited and attended the General Meetings to answer questions relevant audit processes.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>As present, TAFI has 1061 holders holding its Securities as at 31 March 2021, and the number of holders is not large to warrant the use of technology to facilitate remote shareholders or voting in absentia at this stage.</p> <p>In accordance with Paragraph 8.29A of the MMLR of Bursa Securities, all resolutions set out in the Notice of 16th AGM were put to vote by poll, shareholders that are unable to attend the AGM may appoint any person(s) as their proxies to attend, participate, speak and vote in his/her stead at the AGM held at the Company's Office Block at Muar, Johor.</p> <p>The Company has not adopted any technology to facilitate the voting in absentia and remote shareholders' participation in its 16<sup>th</sup> AGM in the year 2020.</p> <p>The Company will consider adopting such facilities to facilitate voting in absentia and remote shareholders' participation in future general meetings once such facilities are available at a reasonable cost.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.*

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