

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5112
COMPANY NAME : TH PLANTATIONS BERHAD (“THP” or “the Company”)
FINANCIAL YEAR : December 31, 2019

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 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.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of THP acknowledges its responsibilities for the overall governance and accountable to the shareholders for the performance of the Company. The Board is committed to pursue the objectives and goals of the Company with assurance that the high standards of corporate governance are being practiced within the Company.</p> <p>Amongst others, outline below are the key responsibilities of the Board:</p> <ol style="list-style-type: none">1. Reviewing and adopting strategic plans for the Company, primarily the five (5) year rolling strategic plan for THP and its subsidiaries;2. Overseeing the conducts of the Company's business to ensure that it is being properly managed. Key operational matters are discussed during Board meetings, and expert advice or independent advice is sought where necessary;3. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;4. Implementing succession planning, including the appointment and recruitment of Senior Management team members;5. Developing and implementing an investor relations policy or shareholders' communications policy for the Company;6. Reviewing the adequacy and integrity of the Company's internal controls and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines.

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

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>With effect from 26 March 2019, Tan Sri Abu Talib bin Othman was appointed as the Chairman of the THP Board.</p> <p>The Chairman carries out a leadership role in conducting the Board and its relations to shareholders and other stakeholders. The roles of Chairman are as follows:</p> <ol style="list-style-type: none">i. Provides leadership to the Board<ul style="list-style-type: none">- Plans Board meetings, agenda;- Ensures the Board receives proper information in timely manner;- Chairs all Board meetings;- Ensures that all Directors contribute and participate at Board meetings; and- Drives discussion toward consensus and to achieve closure on such discussions.ii. Chairs shareholder meetings;iii. Represents the Board to shareholders and be the spokesperson at the Annual General Meeting ('AGM'), in a way that supports the role of the CEO in reporting operational and public relations matters;iv. Ensures the integrity and effectiveness of the governance process; andv. Performs other responsibilities as assigned by the Board from time to time.
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman of THP is Tan Sri Abu Talib bin Othman and the CEO of THP is Encik Muzmi bin Mohamed.</p> <p>Both have distinct roles and responsibilities. This is to ensure that there is a clear and proper balance of power and authority.</p> <p>Their roles are set out in the Board Charter and made available on the Company's corporate website at www.thplantations.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>THP has two (2) qualified Company Secretaries. Both are Licensed Company Secretaries by the Companies Commission of Malaysia.</p> <p>Their roles and responsibilities include:</p> <ul style="list-style-type: none"> - Work closely with the Chairman to raise all material compliance and governance issues. - Attend all Board, Board Committee and Subsidiary Board meetings. - Ensure accurate records of all meetings and that all decisions made are properly minuted. - Facilitates the communication of key decisions and policies between the Board, Board Committees and Subsidiary Boards. <p>The Company Secretaries are kept informed of regulatory changes and developments in corporate governance and Main Market Listing Requirements through continual education and professional training.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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>Relevant and material information is provided to the Board on average seven (7) calendar days prior to meetings to ensure the Directors have sufficient time to assess the proposals or information.</p> <p>In 2019, an average of seven (7) calendar days were recorded for distribution of Board papers save for Special Board Meetings for which a shorter time frame had been agreed with the Board.</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 formally adopts a Board Charter, which provides guidance to the Board in the fulfilment of its roles, duties and responsibilities.</p> <p>The Board Charter outlines the roles and responsibilities of the Board, the balance and composition of the Board, the Board's authorities, schedule of matters reserved for the Board, the establishment of the Board Committees, processes and procedures for convening Board meetings, compliance with ethical standards, Board's access to information, Director’s Training and Code of Ethics.</p> <p>The Board Charter is available on the Company's corporate website at www.thplantations.my.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of THP ensures that the Group upholds high standards of ethics and corporate behavior. This pursuit is premised on the idea that a governing board is in a position of trust. The Board demands that the conduct of Directors is consistent with their duties and responsibilities to the Company and, indirectly, to Shareholders.</p> <p>In the performance of the duties of a Director, a Director of THP is first and foremost held accountable in demonstrating the following three (3) major areas, namely:</p> <ol style="list-style-type: none"> a. Corporate Governance b. Relationship with Shareholders, Employees, Creditors and Customers c. Social Responsibilities and the Environment <p>The Directors' Code of Conduct and Ethics is set out in the Board Charter and made available on the Company's corporate website at www.thplantations.my.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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>THP has in place a Whistleblowing Policy (“the Policy”) intended to enable employees and other persons to make disclosures about wrongdoings at any time to a designated person in THP without fear of reprisal so that problems can be identified and resolved quickly within THP.</p> <p>This Policy also ensures people exercise their rights (to make a disclosure) responsibly and sensibly when suspecting something amiss.</p> <p>The Whistleblowing Policy is made available on the Company's corporate website at www.thplantations.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 directors.

Application	:	Applied															
Explanation on application of the practice	:	<p>THP Board recognises the important contribution that Independent Directors make to good corporate governance. All Directors, whether independent or not, are required to act in the best interests of the Group and to exercise unfettered and independent judgement.</p> <p>The THP Board composition as at 31 December 2019 was as follows:</p> <table border="1"><thead><tr><th>Designation</th><th>Number of Directors</th><th>Percentage %</th></tr></thead><tbody><tr><td>Executive Director</td><td>Nil</td><td>Nil</td></tr><tr><td>Independent Non-Executive Director ("INEDs")</td><td>3</td><td>50</td></tr><tr><td>Non Independent Non-Executive Director ("NINEDs")</td><td>3</td><td>50</td></tr><tr><td>Total</td><td>6</td><td>100</td></tr></tbody></table> <p>Based on the above composition, three (3) members of the THP Board are independent and satisfy the following independent criteria:</p> <ol style="list-style-type: none">Independent from Management and free from any business or other relationship which could interfere with independent judgement or the ability to act in the best interests of the Company.Not involved in the day-to-day operations of the Company other than when collective Board approval is required. This mitigates the risk of undue influence from third parties and allows INEDs to exercise fair judgement.Declares their interest or any possible conflict on any matter tabled prior to the commencement of Board meetings. Directors are able to ascertain their involvement in any proposal as the papers are disseminated to them seven (7) days before each meeting. In the case of conflict of interest, Directors are required to recuse themselves and abstain from deliberation to allow unbiased and free discussion and decision making.	Designation	Number of Directors	Percentage %	Executive Director	Nil	Nil	Independent Non-Executive Director ("INEDs")	3	50	Non Independent Non-Executive Director ("NINEDs")	3	50	Total	6	100
Designation	Number of Directors	Percentage %															
Executive Director	Nil	Nil															
Independent Non-Executive Director ("INEDs")	3	50															
Non Independent Non-Executive Director ("NINEDs")	3	50															
Total	6	100															

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 - Step Up 4.3 adopted	
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	:	Adopted
Explanation on adoption of the practice	:	<p>The tenure of Independent Directors of THP is nine (9) years as set out in its Board Charter, which can be accessed on the Company's corporate website at www.thplantations.my.</p> <p>To date, none of the Independent Directors of THP exceed the cumulative limit of nine (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.

Application	:	Applied									
Explanation on application of the practice	:	<p>The Board remains focused on enhancing the diversity of Directors' perspectives. Directors are chosen for their corporate leadership skills, experience and expertise. Diversity of experience in business as well as academic backgrounds are also considered. The right blend of skills and experience is crucial in ensuring the attainment of long-term value for THP's Shareholders.</p> <p>All candidates to the Board are tabled to the Nomination & Remuneration Committee of THP and later the Nomination & Remuneration Committee of THP will recommends the candidates for approval by the Board.</p> <p>During year 2019, the following directors have been appointed to the Board of THP after taking into consideration the abovementioned criteria:</p> <table border="1"><thead><tr><th>Name</th><th>Designation</th><th>Appointment Date</th></tr></thead><tbody><tr><td>Tan Sri Abu Talib bin Othman</td><td>Chairman / Non Independent Non-Executive Director</td><td>26 March 2019</td></tr><tr><td>Dzul Effendy bin Ahmad Hayan</td><td>Non-Independent Non-Executive Director</td><td>27 March 2019</td></tr></tbody></table> <p>The Board acknowledged the need to improve gender diversity and will continue efforts to seek female candidates to take up Board positions in order to reach at least 30 percent female representation on the Board.</p> <p>In respect of the appointment of Senior Management, the same process will take place, i.e. the candidates are first tabled to the Nomination & Remuneration Committee of THP prior to the recommendation for approval by the Board of Directors of THP.</p>	Name	Designation	Appointment Date	Tan Sri Abu Talib bin Othman	Chairman / Non Independent Non-Executive Director	26 March 2019	Dzul Effendy bin Ahmad Hayan	Non-Independent Non-Executive Director	27 March 2019
Name	Designation	Appointment Date									
Tan Sri Abu Talib bin Othman	Chairman / Non Independent Non-Executive Director	26 March 2019									
Dzul Effendy bin Ahmad Hayan	Non-Independent Non-Executive Director	27 March 2019									

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board fully supports gender diversity and although formal policies are not in place, the Board practices diversity in every respect. The Board considers diversity as a valuable component of any successful company, ensuring differing perspectives of culture, knowledge and experience are presented so as to observe all perspectives in any decision making process.	
		During year 2019, the only female Director of THP, namely Datuk Seri Nurmala bt Abd Rahim had resigned as a Director of THP with effect from 1 August 2019.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Although the Group does not utilise independent sources to identify suitably qualified candidates to the Board, it considers that its various networks within Lembaga Tabung Haji, existing Directors and Management of all related companies, provides a healthy pipeline of independently sourced candidates for consideration.	
		Once sourced, each candidate is thoroughly assessed for their independence and nominations are only made once the Nomination & Remuneration Committee is comfortable with its selection, ensuring that all criteria set are fulfilled and that the nominated Director is able to bring the right balance of experience, knowledge and value to the Board.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	With effect from 26 November 2019, Dato' Shari bin Haji Osman, an Independent Non-Executive Director of THP, assumed the chairmanship of the Nomination & Remuneration Committee of THP ("NRC") replacing Datuk Seri Nurmala bt Abd Rahim who had relinquished her position as Chairman of the NRC following her resignation as an Independent Non-Executive Director of THP on 1 August 2019.	
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	:	During the year under review, the Board held its Board Effectiveness Assessment. Details of the appraisal process and actions are set out on page 52 of the Annual Report 2019.	
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 Board is mindful of the need to ensure the remuneration package for Directors are competitive to attract and retain Directors and Senior Management of good caliber and integrity with the appropriate qualifications, skills and experience needed to run the Group's operations effectively.</p> <p>The Remuneration Policy & Procedures For Directors And Senior Management of THP is made available on the THP's website at www.thplantations.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 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>The Board has a Nomination & Remuneration Committee ("NRC") which consists of three (3) members, comprising wholly Non-Executive Directors. The NRC meets at least once a year or at any other time deemed necessary by the Chairman of the Committee. The quorum for a meeting of the Committee is two (2) members.</p> <p>The Terms of Reference of the NRC are available on the Company's corporate website at www.thplantations.my.</p> <p>Please refer to page 55 of the Annual Report 2019 for details of the NRC Report for the year under review.</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	:	<p>THP has been disclosing in detail, on a named basis, the remuneration of THP's individual directors which includes fees at Company and Group level, meeting allowance, salary, bonus, other emoluments and benefits in-kind such as medical and insurance coverage.</p> <p>Details of remuneration (including benefits-in-kind) for each Director are disclosed on page 51 of the Annual Report 2019.</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 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is of the view that such disclosure would be a detriment to the Group given the highly competitive nature of the industry. Disclosure could result in poaching of performing management and unnecessary increases in remuneration costs for under-performing staff.</p> <p>As an alternative to the recommended practice, the Board has opted to disclose the Remuneration Policy & Procedures for Directors and Senior Management which is made available on the Company's corporate website at www.thplantations.my.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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	:	<p>As at 31 December 2019, the members of Audit Committee of THP comprises of three (3) Independent Non-Executive Directors with mixed background in the accounting and finance, plantations industry and public administration.</p> <p>The Chairman of Audit Committee is a Chartered Accountant by profession. He is a Fellow of ACCA (UK), a member of Malaysian Institute of Accountants (MIA), a member of Financial Planning Association of Malaysia (FPAM) and a member of the Harvard Business School Alumni Club of Malaysia. He has vast experience in the areas of accounting, auditing, finance and corporate services.</p> <p>The Chairman of the Audit Committee is not the Chairman of the Board, so as not to impair the objectivity of the Board's view on the Audit Committee's findings and recommendations. The composition and activities of the Audit Committee are detailed in the Audit Committee Report as disclosed in pages 56 and 57 of the Annual Report 2019.</p> <p>The Audit Committees had met 10 times during the financial year 2019. Senior Management was invited and had joined the meetings together with the Head of Internal Audit. Representatives from external auditor and other Head of Department were also invited where ever appropriate.</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 8.2

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	:	The Terms of Reference of the Audit Committee have state a provision whereby any former key audit partner(s) is required to observe a two (2) years cooling-off period before being appointed as a member of the Audit Committee. As at to date, none of the members of the Audit Committee is a former key audit partners.	
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>In practice, the assessment on the suitability, objectivity and independence of the external auditor is conducted annually in the Audit Committee meeting. This is as per Audit Committee's Terms of Reference under its functions and responsibilities, among others are:-</p> <ul style="list-style-type: none">i. To consider the appointment, resignation and dismissal of external auditors and make appropriate recommendations to the Board including the audit fees;ii. To review external audit scope, audit plan, audit reports and management letter;iii. To discuss issues arising from the interim and final audit and any other matters that external auditor may wish to discuss, in the absence of management where necessary. <p>During the financial year 2019, the Audit Committee had perform a review on the conduct and considered the appointment and remuneration of external auditor. The Audit Committee also perform a review and approve external auditor's scope of work and audit plan, results of the audit reports and management letter.</p> <p>Any significant findings from external auditor's report will be presented and deliberated in the Audit Committee meeting with the presence of Senior Management, Head of Internal Audit and other personnel where ever appropriate.</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

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	:	<p>All members of the Audit Committee of THP are Independent Non-Executive Directors. During the financial year 2019, the members of the Audit Committee are as follows:-</p> <p>Chairman: Mohd Adzahar bin Abdul Wahid* <i>Independent Non-Executive Director</i></p> <p>Members:</p> <ol style="list-style-type: none">1. Dato' Shari bin Haji Osman <i>Independent Non-Executive Director</i>2. Dato' Indera Dr. Md Yusop bin Omar <i>Independent Non-Executive Director</i> <i>(Appointed to the Audit Committee on 26 November 2019)</i>3. Dato' Mohd Shukri bin Hussin <i>Independent Non-Executive Director</i> <i>(Resigned from the Audit Committee on 14 March 2019)</i>4. Datuk Seri Nurmala binti Abd Rahim <i>Independent Non-Executive Director</i> <i>(Resigned from the Audit Committee on 1 August 2019)</i>5. Datuk Nik Mohd Hasyudeen bin Yusoff <i>Independent Non-Executive Director</i> <i>(Resigned from the Audit Committee on 26 November 2019)</i> <p>* Member of the Malaysian Institute of Accountants (MIA)</p>

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>Collectively, the current members of Audit Committee possess a wide range of necessary skills to discharge its duties.</p> <p>The Chairman of the Audit Committee is a Chartered Accountant by profession. He is a Fellow of ACCA (UK), a member of Malaysian Institute Of Accountants (MIA), a member of Financial Planning Association of Malaysia (FPAM) and a member of the Harvard Business School Alumni Club of Malaysia. He has vast experience, skills and knowledge in the areas of accounting, auditing, finance and corporate services.</p> <p>The rest of the members of the Audit Committees have a diverse experience and knowledge in plantations industry. This helps the Board to objectively review the Audit Committee's findings and recommendations.</p> <p>The following are the list of training programs that had been attended by members of Audit Committee for their continuous professional development in year 2019:-</p> <table border="1"><thead><tr><th>Training Program Title</th><th>Date</th><th>Organiser</th></tr></thead><tbody><tr><td>Power Talk by Mark Reid on Revisiting the Misconception of Board</td><td>13 March 2019</td><td>Institute of Corporate Directors Malaysia</td></tr><tr><td>Islamic Finance for Board of Directors</td><td>10 – 11 July 2019</td><td>ISRA Consultancy Sdn Bhd</td></tr><tr><td>Share Buy-Back Linking Listing Requirements, Companies Act 2016, Insider Trading Laws and Code on Take-Overs & Mergers 2016</td><td>18 September 2019</td><td>Malaysian Institute of Accountants</td></tr><tr><td>Regional Conference on Climate Change: Climate Change Risk and Opportunities: Respond, Not React</td><td>25 September 2019</td><td>Bank Negara Malaysia</td></tr></tbody></table>	Training Program Title	Date	Organiser	Power Talk by Mark Reid on Revisiting the Misconception of Board	13 March 2019	Institute of Corporate Directors Malaysia	Islamic Finance for Board of Directors	10 – 11 July 2019	ISRA Consultancy Sdn Bhd	Share Buy-Back Linking Listing Requirements, Companies Act 2016, Insider Trading Laws and Code on Take-Overs & Mergers 2016	18 September 2019	Malaysian Institute of Accountants	Regional Conference on Climate Change: Climate Change Risk and Opportunities: Respond, Not React	25 September 2019	Bank Negara Malaysia
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	ESG Investment Conference	17 October 2019	BIMB Investment Berhad
	Property Investment Forum	21 October 2019	Lembaga Tabung Haji
	MIA International Accountants' Conference 2019	22 - 23 October 2019	Malaysian Institute of Accountants
	Directors' Conference 2019	29 October 2019	BIMB Holding Berhad
	PNB Corporate Summit 2019	30 October 2019	Perbadanan Nasional Berhad
Explanation for departure :			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure :			
Timeframe :			

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges its responsibilities and the importance of establishing an effective risk management and internal control framework. The intention of having such framework is to provide the Board with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed. To support the Board, two (2) committees had been given the responsibility:-</p> <ul style="list-style-type: none"> i. Investment Committee, tasked with overseeing the Group's investment evaluation, procedures, process and activities; and ii. Audit Committee, tasked with overseeing the Group's financial performance and corporate affairs and reviewing the risk management and internal control framework. The committee is supported by the Group's Risk Management Committee, Internal Audit Department and external auditor. <p>The Board also recognises that such framework needs continuing process and it is designed to manage and reduce the risks to the acceptable levels, rather than to eliminate. Thus, the implementation of the framework should only provide reasonable and not absolute assurance against the occurrence of any material misstatement or loss.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>RISK MANAGEMENT FRAMEWORK</p> <p>The Group's Risk Management Committee is tasked in discharging Audit Committee's duty to overseeing Group's risk management activities and ensuring that the objectives outlined in the Risk Management Policy are achieved. Thus, the existing Risk Management Framework is designed to support the committee via three (3) key stages of risk management which are the risk identification, risk assessment and risk monitoring and reporting.</p> <p><u>Risk Identification</u> Risk identification is a line-management responsibility. Employees shall recognise and identify the risk arises and to report to the Risk Owner. The identified risks will be categorised under one of five (5) risk categories which are Governance, Business Environment, Operations, Financial and Information risks. The maximum risk exposure and tolerance are decided and accepted by the Board and it should be in line with the Group's profitability and its survival in the business.</p> <p><u>Risk Assessment</u> Risk assessment is an exercise of evaluating risks by considering and estimating the likelihood and impact of the risks to the Group. The exercise should also be able to ascertain the risks relevance to the business and the efficacy of the current risks treatment. Appropriate risks treatment is designed and implemented accordingly. Control plans are also in place to ensure compliance and accountabilities, so that the treatment can meet the required expectation.</p> <p><u>Risk Monitoring and Reporting</u> This stage serves as a monitoring and reporting tool for the Risk Management Framework. Any material issues regarding risk management are to be reported and discussed in either Group's Risk Management Committee or the Board or both, depending on the significance of the risks. The monitoring and reporting of the risk management implementation and strategies are carried out as and when required by the Management and the Board.</p>

	<p>INTERNAL CONTROL FRAMEWORK</p> <p>THP Group has in place an integrated structure of Internal Control Framework that allow the management to operate the business in a very effective and efficient way in order to achieve its business objectives. The key elements of the Internal Control Framework are:-</p> <ol style="list-style-type: none"> i. Board’s oversight function in monitoring and evaluating the operation and financial performance of the Group through Management and audit reports; ii. Organisation structure and authorisation policy which turn the organisation into functional divisions/units with defined lines of accountabilities and delegation of authority for the purpose of planning, executing, controlling and monitoring business operations and risks; iii. Operational policies and procedures to ensure proper system is in place and it must be being designed, implemented and adhered accordingly to manage the operational and financial activities; iv. Performance review and monitoring through various management reports on the performance of operational and financial activities on productivity, profitability, efficiency and cost control; v. Human capital management which is to ensure that human resource activities are performed in systematically especially in recruitment and selection, determining compensation and benefits, providing training and development, performance review and appraisal, resignation and retirement and others. vi. Tender and procurement policy and procedure which will ensure the award of contracts and procurement of supplies are transparent while at the same time achieving procurement objectives. 	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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 had made decision that the responsibility to oversee the Group's risk management framework and policies is placed under the purview of the Audit Committee, effective November 2017.</p> <p>During the year 2019, THP had maintained a small number of directors, from seven (7) to six (6) members, in order to achieve best balance between cost and efficiency without compromising its effectiveness.</p> <p>Given the current number of Board members available to the Company, the Board had maintained that the Group's risk management framework and policies is continually being placed under the purview of the Audit Committee.</p> <p>The Audit Committee has 3 members and all are Independent Non-Executive Directors.</p>

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 existence of Internal Audit Department (“IAD”) is to provide the Board, through the Audit Committee, with independent assurance in regards to the effectiveness of risk management, internal control and governance of the Group. Its primary function is to support and assist in discharging the duties and responsibilities of the Audit Committee.</p> <p>IAD is governed by an Internal Audit Charter and it is independent from the operational and financial activities of the Group’s. They maintained their proficiency and due professional care and having their audit plans, activities and reports reviewed and approved by the Audit Committee.</p> <p>The Audit Committee has the authority to review and approve IAD’s scope of work, performance and budgets. It also has the authority in appointment and removal of the internal audit personnel.</p> <p>The Audit Committee is satisfied that the Head of IAD has relevant qualification, experience, knowledge and skill to discharge his functions effectively and the IAD has sufficient resources to carry out its function effectively and independently.</p> <p>All personnel in IAD have the necessary experience, knowledge and skill to perform their function effectively and independently and all of them are members of The Institute of Internal Auditors Malaysia (IIAM).</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	: Applied																																																										
Explanation on application of the practice	<p>All internal audit personnel are free from any relationships or conflicts of interest except one (1) personnel whose father is the Mill Advisor in Engineering Department. In maintaining the independency and objectivity of internal audit function, such personnel will not be included in audit engagement with the Engineering Department and Palm Oil Mills.</p> <p>During the financial year 2019, there are 10 personnel designated in the IAD. Their names, positions and qualifications are as follows:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;">No</th> <th style="width: 35%;">Name</th> <th style="width: 20%;">Position</th> <th style="width: 20%;">Qualification</th> <th style="width: 20%;">IIAM</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Megat Rizal Ezzudin bin Abd Maulud</td> <td>Asst. General Manager (HOD)</td> <td>ACCA, Degree (Accounting), MIA</td> <td>Yes</td> </tr> <tr> <td>2</td> <td>Khairizal bin Ab Karim</td> <td>Manager</td> <td>Degree (Management)</td> <td>Yes</td> </tr> <tr> <td>3</td> <td>Mohd Irwan bin Mohd Hashim</td> <td>Senior Executive</td> <td>Degree (Economics)</td> <td>Yes</td> </tr> <tr> <td>4</td> <td>Nurul Faizal bin Mohd Dan</td> <td>Senior Executive</td> <td>Degree (Accounting)</td> <td>Yes</td> </tr> <tr> <td>5</td> <td>Mohd Izzuwan bin Mohd Natzri</td> <td>Senior Executive</td> <td>Degree (Accounting)</td> <td>Yes</td> </tr> <tr> <td>6</td> <td>Mohd Hidayat bin Mohd Hussein</td> <td>Senior Executive</td> <td>Diploma (Accounting)</td> <td>Yes</td> </tr> <tr> <td>7</td> <td>Norazhar bin Mohd Sharif</td> <td>Senior Executive</td> <td>Diploma (Accounting)</td> <td>Yes</td> </tr> <tr> <td>8</td> <td>Azmi bin Muhamad</td> <td>Senior Executive</td> <td>Diploma (Accounting)</td> <td>Yes</td> </tr> <tr> <td>9</td> <td>Aliffee Nazlie bin Adnan</td> <td>Executive</td> <td>Diploma (Engineering)</td> <td>Yes</td> </tr> <tr> <td>10</td> <td>Siti Mohaini binti Hamat</td> <td>General Clerk</td> <td>SPM</td> <td>No</td> </tr> </tbody> </table>				No	Name	Position	Qualification	IIAM	1	Megat Rizal Ezzudin bin Abd Maulud	Asst. General Manager (HOD)	ACCA, Degree (Accounting), MIA	Yes	2	Khairizal bin Ab Karim	Manager	Degree (Management)	Yes	3	Mohd Irwan bin Mohd Hashim	Senior Executive	Degree (Economics)	Yes	4	Nurul Faizal bin Mohd Dan	Senior Executive	Degree (Accounting)	Yes	5	Mohd Izzuwan bin Mohd Natzri	Senior Executive	Degree (Accounting)	Yes	6	Mohd Hidayat bin Mohd Hussein	Senior Executive	Diploma (Accounting)	Yes	7	Norazhar bin Mohd Sharif	Senior Executive	Diploma (Accounting)	Yes	8	Azmi bin Muhamad	Senior Executive	Diploma (Accounting)	Yes	9	Aliffee Nazlie bin Adnan	Executive	Diploma (Engineering)	Yes	10	Siti Mohaini binti Hamat	General Clerk	SPM	No
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	<p>All Group's internal auditors are member of The Institute of Internal Auditors of Malaysia (IIAM) and have attended several seminars and conference conducted by IIAM.</p> <p>Internal audit functions and activities are annually reviewed and approved by the Audit Committee. The IAD also had gone through a Quality Assurance Review in 2013 conducted by IIAM to ensure that the Group's internal audit function is carried out in accordance with a recognised framework.</p>	
Explanation : for departure		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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 acknowledges the importance of an effective communication channel between itself, stakeholders, institutional investors and the investing public at large to provide a clear picture of the Group's performance and position. THP is committed to maintaining high standards in the dissemination of relevant and material information on the Group in order to maintain effective, comprehensive, timely and continuing disclosure of information.</p> <p>The timely release of financial results on a quarterly basis provides the investors with an up-to-date view of the Group's performance and operations. The release of the quarterly financial results to Bursa Securities is accompanied by a press release.</p> <p>Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and need not wait for the AGM for such an opportunity.</p> <p>The contact information is available on the Company's corporate website at www.thplantations.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

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	:	This Practice is not applicable to THP as we are not considered as a large company.	
		However, in reflecting its value creation process and principles, THP has committed itself to sustainability reporting. The Company’s approach to sustainability reporting is detailed in its Sustainability Statement which is disclosed on pages 12 to 32 of the Annual Report 2019.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>Notice of the 45th Annual General Meeting of THP ("45th AGM") was issued more than 28 days prior to the meeting i.e. notice of the 45th AGM was issued on 30 April 2019 and the 45th AGM was held on 27 June 2019.</p> <p>At the said 45th AGM, the shareholders of THP had approved resolution on the adoption of new Constitution of THP, whereby the notice for convening an Annual General Meeting of THP be given to all shareholders at least 28 days.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>At the 45th AGM, all Directors of THP were present in person to engage directly with shareholders and participated at the said AGM.</p> <p>The Chairman provided an opportunity for the shareholders to raise question on every resolutions tabled at the AGM before putting them for voting. The Chief Executive Officer, the Senior Management team, external auditors and independent valuers were present and responded to all queries raised by the shareholders.</p> <p>The minutes of 45th AGM including the key matters discussed was published on the Company's corporate website at www.thplantations.my</p>
Explanation for departure	:	<p>Please provide an explanation for the departure.</p> <p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

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	:	<p>The Board ensures that the location of the general meeting is easily accessible to the shareholders of the Company. The 45th AGM of THP was held at Kuala Lumpur, where public transport is easily accessible and ample parking was made available.</p> <p>However, THP will hold its forthcoming 46th AGM on a fully virtual basis. This allows the shareholders to participate in the forthcoming 46th AGM by using the Remote Participation and Voting facilities.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.
Timeframe	:	Choose an item.

**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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