

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0012
COMPANY NAME : Three-A Resources Berhad
FINANCIAL YEAR : December 31, 2018

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has the overall decision-making authority and effective controls over the Group and plays an active role in strategic decision-making matters of the Group. Tasks that the Board carries out include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning and reviewing internal controls.</p> <p>The Board has oversight on duties and responsibilities assigned to the Management and usually meet at least on a quarterly basis.</p> <p>There is clear and distinct separation of roles and responsibilities of the Board as set out in the Board Charter from that of the Managing Director.</p> <p>The Board has set up committees to be more effective in carrying out its duties and responsibilities as follows:</p> <ul style="list-style-type: none"> i. Audit Committee ii. Nomination Committee iii. Remuneration Committee iv. Risk Management Committee
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 1.2

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>The Chairman holds an Independent Non-Executive position and is primarily responsible to ensure effectiveness of the Board with the following tasks:</p> <ul style="list-style-type: none"> • Provides leadership and instil good corporate governance to the Board to ensure the Board carry out its duties and responsibility adequately; • Sets meeting agenda and leads board meetings and discussions; • Encourages active participation and allow different views to be discussed; • Acts as an effective intermediary between the Board and the Management to ensure information sharing for decision – making; and • Ensures sufficient channels of communication available to stakeholders and that their views can reach the Board for consideration
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 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Board for the financial year 2018 is Dato' Mohd Nor Bin Abdul Wahid, who is an Independent Non-Executive Director ("INED") whereas the Managing Director ("MD") and CEO is Mr Fang Chew Ham, who is a Non-Independent Executive Director of the Group.</p> <p>The Company ensures the roles and responsibilities of the Chairman and the MD and CEO are made distinctly clear to enhance the balance of power and authority.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretaries of Three-A Resources Berhad ("3A") are Yap Sit Lee, Wong Wai Foong and Ng Bee Lian and they are all qualified to act as company secretary under Section 235(2) of the Companies Act 2016.</p> <p>The roles and responsibilities of the Companies Secretaries are to carry out the following: -</p> <ul style="list-style-type: none"> • preparation and submission of forms as required under the Companies Act 2016 to the Companies Commission Malaysia; • ensure compliance of regulatory requirements, updates on new Bursa Malaysia Listing Requirements to the board; • Submissions of corporate announcements electronically via LINK to Bursa Malaysia Securities Berhad • support the board by ensuring adherence to board policies and procedures, rules, relevant laws, best practices on Corporate Governance; • attendance at Annual General Meeting, Audit Committee, Nomination Committee and Remuneration meetings and ensure minutes of meetings are well documented and • follow-up on matters arising
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors are furnished with comprehensive information including the meeting agenda usually at least five (5) business days before each Board meeting. During any time, all Directors are allowed access to the advice and services of the Company Secretary as well as to all information within the Group.</p> <p>Besides, all Directors can obtain independent professional advice, whether individually or as a Board, where necessary and in appropriate circumstances at the Group's expense.</p> <p>All Directors are reminded to always ensure that minutes of Board meetings accurately reflect the full deliberations of the matter and decisions of the Board, including whether any Director abstains from voting or deliberating on a particular matter.</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 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 Charter clearly spelt out the roles and responsibilities of the Board and outlines Board membership guidelines and more specifically the role of the Chairman in leading the Board.</p> <p>Besides, the Board Charter also stipulates the Board Structures of the Committees and Procedures of Board meetings besides communication with shareholders and other stakeholders.</p> <p>The Board would periodically review and update the Board Charter in line with changing needs of 3A and any new regulations that may impact the discharge of the Board's responsibilities. The Board Charter is made available on the corporate website - www.three-a.com.my.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to high levels of ethics and integrity in the conduct of business. There is a Code of Conduct and Ethics that 3A put in place to govern and promote ethical behaviours in the conduct of the business and it applies to the management, employees and contract workers of 3A.</p> <p>Besides, 3A also adopted a Whistleblowing Policy as a resort for employees to report unethical conduct in their daily work. The Board believes such actions enable employees to exercise sound judgement in their work in order to adhere to the highest ethical standards.</p> <p>The Board would periodically reviews and update the Code of Conduct and Ethics in line with the changing needs. The Code of Conduct and Ethic is available on the corporate website - www.three-a.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed to high standard governance and has put in place a Whistleblowing Policy to encourage ethical conduct of employees as well as to assure employees in reporting misconduct practices and the mechanisms for reporting any forms of misconduct, illegal acts or corrupt practices.</p> <p>The Whistleblowing Policy spelt out the scope of the policy and the procedures for reporting such matters and the due process that should take place.</p> <p>The whistleblowing policy is available on the corporate website: www.three-a.com.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

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>During the financial year 2018, the Board of Directors comprises ten (10) Directors, half of them or five (5) of whom are Independent Non-Executive Directors.</p> <p>The Board views the current mix of directors provides an objective and independent deliberation of matters and decision making.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
Explanation on application of the practice	:	<p>The Company sought Shareholders' approval at the Sixteenth Annual General Meeting held on 25 June 2018 to retain four independent Directors, namely Chew Eng Chai, Tan Chon Sing @ Tan Kim Tieng, Mohd Zaki Bin Hamzah and Khoo Wee Boon.</p> <p>As at the date of this report the Board of 3A comprises four (4) Independent Directors whom have served beyond 9 years as follows:</p> <ol style="list-style-type: none">1. Chew Eng Chai;2. Tan Chong Sing @ Tan Kim Tieng;3. Mohd Zaki Bin Hamzah; and4. Khoo Wee Boon. <p>During the financial year ended 31 December 2018, the NC has reviewed and satisfied with the performance and level of independence demonstrated by the above independent Directors before recommended to the Board for the independent Directors to continue to act as Director of the Company.</p> <p>Based on the justification given, the Board will seek for shareholders' approval at the forthcoming Annual General Meeting to retain the above independent Directors as independent Directors. As the above independent Directors have serve the Board for more than twelve (12) years. The Company will seek shareholders' approval through a two-tier voting process for their continuation as independent Directors.</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

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

Practice 4.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The appointment of members of the Board and Senior Management based on objective criteria, merit, qualifications, mix of expertise, skills, experience and also consideration for gender diversity, age and cultural background.</p> <p>The Board is committed to pursue diversity in both the Board of Directors and the Senior Management team as a diverse Board could offer the depth and breadth required for strategic decisions whilst the diversity at Senior Management will lead to objective and rounded decision-making process.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is supportive of gender diversity in the Board composition and senior management. However, Miss Fang Siew Yee is the only female director on the Board and so the Board have less than 30% women directors.</p> <p>There is no immediate plan to implement a policy on gender diversity for now but the Board through the Nomination Committee will consider the gender diversity as part of its future selection to identify suitable candidates. If the need arises, candidates would be strictly assessed based on merit, competences, experience and gender diversity required for an effective Board.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is given the task of appointing directors to the Board and they carry out the task independently without solely relying on recommendations from existing board members, management or major shareholders.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee is chaired by Encik Mohd Zaki Bin Hamzah who is an Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The annual evaluation is conducted by Nomination Committee on the effectiveness of the Board as a whole, Board Committees, contribution of each individual Director and independence of Independent Directors as well as the Key Officer of the Company.</p> <p>Assessment Forms setting out the parameters of assessments were distributed to each member of the Board and Committees for peer assessment/self -assessment in respect of the Board of Directors, individual directors, Board Committees and Key Officer in respect of the financial year 2018.</p> <p>The Chairman of the Nomination Committee briefed the Board the results of the assessment at the Board meeting held on 20 February 2019.</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 level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee is responsible and has put 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.</p> <p>The Group is committed to ensure that its remuneration policy is reasonable to attract and retain suitably qualified Directors and Senior Management who are required to lead and control the Group effectively. The components of the remuneration package offered to Executive Directors and Senior Management are linked to corporate and individual performance. As for Non-Executive Directors, the level of remuneration is reflective of their level of responsibilities and experience.</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 Remuneration Committee comprises exclusively of Independent Non-Executive Directors and is responsible to evaluate the remuneration packages of members of the Board and senior management executives and recommends for the Board's approval.</p> <p>The Board is responsible to recommend Non-Executive Directors' fees to the shareholders with the Non-Executive Director concerned abstaining from deliberations and voting on decisions in respect of his/her fee.</p> <p>The authority, duties and responsibilities of the Remuneration Committee is define in the term of reference of the remuneration committee, which is available on the Company website: www.three-a.com.my</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied
Explanation on application of the practice	:	The detailed disclosure on named basis for the remuneration of individual directors are disclosed in the Corporate Governance Overview Statement on page 33 of the Annual Report 2018.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company views the disclosure on a named basis of the remuneration of senior management to be not in the best interest of the Company and the Senior Management Personnel due to confidentiality and sensitivity of each remuneration package.	
		The Company views the disclosure on the remuneration of the top five senior management in the band width of RM50,000 as set out in page 34 of the Annual Report is sufficient.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee is Mr Chew Eng Chai, an Independent Non-Executive Director who is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board views the importance of independence of its external auditors and that no possible conflict of interest should arise.</p> <p>Currently, none of the members of the Board and the Audit Committee were former key audit partner.</p> <p>The Board will observe a cooling-off period of at least two (2) years before a former key audit partner is to be appointed as a member.</p> <p>The above policy was incorporated into the terms of reference of the Audit Committee, which is available on the corporate website: www.three-a.com.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

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	:	The Audit Committee conducts an annual assessment of the external auditors to assess the suitability, objectivity and independence and the last review was performed on 20 February 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

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	:	All four (4) members of the Audit Committee are Independent Directors and they are: <ul style="list-style-type: none">- Chew Eng Chai- Tan Chong Sing @ Tan Kim Tieng- Mohd Zaki Bin Hamzah- Khoo Wee Boon

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	:	All members of the Audit Committee have relevant experience and necessary skills and expertise to effectively discharge their duties. The qualification and experience of each Audit Committee member is disclosed in the Board of Directors' Profile on pages 7 to 12 of the Annual Report 2018. All members of the Audit Committee had undertaken continuous professional development and details of trainings attended can be found on page 37 of the Annual Report 2018.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors recognises its responsibilities and has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' interest.</p> <p>The Board established a Risk Management Committee to develop procedures and risk management practices encompassing financial, operational and compliance controls. Nonetheless, the Board as a whole remains responsible for the overall risk management in the Group while the responsibilities for execution of business plan and control and monitoring of risks are led by the Managing Director, Executive Director and the senior management team.</p> <p>During the financial year, risk awareness sessions were conducted for the Board and respective functional heads and line management to create the awareness of risk ownership and responsibilities among the stakeholders in the Group.</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

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>Further to the formal risk management exercise carried out in 2018, the Group has established the Risk Management Working Committee ("RMWC"). The members of this Committee comprise of three Executive Directors, Financial Controller and other members of the senior management. The key responsibility of the RMWC is to conduct continuous on-going review on the risk identified in the current risk register and to monitor the implementation, adequacy and effectiveness of management action plans to mitigate the identified risks and report to the Risk Management Committee ("RMC") for decision making. Quarterly, the RMC reports to the Board on the overall progress and status of the Group risk management practices.</p> <p>The Group had defined its Risk Policy and risk appetite. Also, RMC had identified and documented the Group's key risks based on the principles and the thought process in ISO 31000 on risk management. All identified operational risks identified were documented and compiled in a group risk register. This group risk register was presented to the Board for consideration of the effectiveness of the risk management in the Group.</p> <p>Regular reviews are conducted by the Group's outsourced independent internal audit function to evaluate the effectiveness and adequacy of the key controls and report to the Audit Committee of their audit findings and recommendations for improvement.</p> <p>Overall, there were no significant risks. All identified risks are within manageable level in accordance with the risk appetite of the Group. Further explanation of the Group's state of risk management is reported in the Statement on Risk Management and Internal Control in the Annual Report.</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

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	:	Not Adopted
Explanation on adoption of the practice	:	

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 Board is assisted by an Internal Audit function, which is currently outsourced to IA Essential Sdn. Bhd. (“IAE”), an internal audit firm. Functionally, the Internal Auditors reports to the Audit Committee directly and is responsible for conducting periodic reviews and appraisals on governance, risk management and internal controls of the Group.</p> <p>The Audit Committee reviewed and approved the Internal Audit Plan to ensure that the appropriateness of the direction of the audit in which the Group is operating. The Audit Committee had also discussed with the Internal Auditor on the progress of the audit plan and ensured that the audit direction remains relevant taking into consideration any significant changes in the Group’s operating environment.</p> <p>When reviewing the Internal Audit reports, the Audit Committee will consider the impact of the audit issues and assess whether management has provided their comments appropriately reflecting their commitment to the audit recommendations.</p> <p>Details on the internal audit activities carried during the year are reported in the Audit Committee Report on pages 49 to 50.</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>The Internal Audit function is carried out by IAE, an internal audit consulting firm. There is no other engagement between the Group and IAE which may create conflict of interest or impair their objectivity and independence.</p> <p>The internal audit function is headed by a director and supported by an audit team comprising a manager and an executive who are accounting graduates. The director in charge is Chong Kian Soon. Kian Soon is a member of Chartered Accountants Australia and New Zealand, the Malaysian Institute of Certified Public Accountants and the Institute of Internal Auditors Malaysia.</p> <p>The Internal Auditor have conducted their work in consideration of the broad principles of the International Professional Practice Framework of Institute of Internal Auditors covering the conduct of the audit planning, execution, documentation, communication of findings and consultation with key stakeholders.</p> <p>Further details on the internal audit activities are reported in the Audit Committee Report in pages 49 to 50 of the Annual Report 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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 values the importance of an effective engagement between the Board, shareholders and general public on compliance with the timely disclosure requirements as set out in the Listing Requirements.</p> <p>The Annual General Meeting ("AGM") is where our shareholders are encouraged to raise issues or concerns and for the Board to address them accordingly. Besides that, the Group issues annual reports, press releases, quarterly results and any announcements on material corporate exercises through public communication channels timely to its stakeholders.</p> <p>The Group maintains a website at www.three-a.com.my for shareholders and the general public to access information on the Group's background and products, financial performance and other relevant information of the Group.</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 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable, the Company is not required to comply with this requirement.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Notice of the 16th AGM of the Company was issued and dated on 27 April 2018, or 28 days prior to the AGM date. In the Notice of the AGM, the agenda of the meeting and the resolutions to be passed are listed accordingly for shareholders to make informed decisions in exercising their voting rights at the AGM.</p> <p>The notice of the 17th AGM of the Company was issued on 26 April 2019, or 52 days prior to the AGM date.</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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>All directors are always committed to attend general meetings. However, not all Directors attended the Company's AGM last year in 2018 as those directors absent needed to attend to some unexpected urgent matters overseas.</p> <p>In spite of this, during the AGM last year, the Chairmen of the Board, the Nomination Committee and the Remuneration Committee were present on stage to provide response if there are any questions addressed to them.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable to the Company in view that the Company does not have large number of shareholders, did not in the past held meeting in remote location and does not intend to have meeting in remote location in the future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES
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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