

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7253

COMPANY NAME : *Handal Energy Berhad (formerly known as Handal Resources Berhad)*

FINANCIAL YEAR : June 30, 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	:	The Board’s strategic leadership role, governance arrangements, and effectiveness are as set out in the Board Charter. The Company’s Board Charter can be found at the Company’s website at www.handalenergy.com . Further details are discussed in the Corporate Governance Overview Statement (“CG Overview Statement”) under Principle A – Board Leadership and Effectiveness in the Annual Report 2019.	
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 1.2

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	:	The Board is led by an Independent Non-Executive Chairman whose role and responsibilities are as stated in the Board Charter, a copy of which can be obtained from the Company’s website, www.handalenergy.com . Further details are set out in the CG Overview Statement in the Annual Report 2019.	
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	:	The position of Independent Non-Executive Chairman is held by YAM Tengku Baderul Zaman Ibni Sultan Mahmud while the business operations of the Group is led by the Group Managing Director, Mr. Sunildeep Singh Dhaliwal. Their roles are separate and there is a clear division of responsibilities to distinguish between the provision of leadership to the Board and the executive responsibility for running Handal Group’s business.	
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	:	All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Mr. Chong Voon Wah has been appointed by the Board as the Company Secretary. He is an Associate member of the Malaysia Institute of Chartered Secretaries and Administrators and has approximately 15 years of experience in corporate secretarial services. The role and responsibilities of the Company Secretary are set out in the Board Charter.	
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	:	Prior to each meeting, members of the Board and the Committees are provided with the meeting agenda and the relevant papers submitted by the management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. The minutes of meetings of the Committees are circulated to all Board members. The Board meets at least five (5) times or more during the year. There is a formal schedule of matters (including quarterly financial results, strategic business issues and the annual business plan) reserved for discussion at the scheduled Board meetings. The notice of the Board meetings is circulated to Board members at least seven (7) days before the meeting and the agenda and Board papers are circulated to the Directors at least five (5) days before each meeting. The deliberations and conclusions of issues discussed in the Board meetings are duly recorded in the Board meetings, the draft of which is circulated for the Chairman's review within a reasonable timeframe after the meeting. The meeting minutes capture the decisions made, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. Minutes of meetings are circulated and confirmed as a correct record by the Board and Board Committees at the following meeting.
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 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	:	Our Board Charter was revised and approved by the Board in February 2018 to be in line with the MCCG and Main Market Listing Requirements and is available on our website at www.handalenergy.com which has been incorporated into our organisation’s governance system, documenting the policies that the Board has decided upon the meet, among others, its responsibilities, governance and leadership, serving as a description tool of how the Board operates.	
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	:	All of Handal Group’s relationships are underpinned by high ethical standards, as expressed in our Code of Conduct, which establishes rules to be followed by the Board of Directors and employees in relation with the Group, with co-workers and with people who have any kind of link with the Group. The existing copy of the Code of Conduct can be found on our website at www.handalenergy.com .	
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	:	We established our Whistle-Blowing Policy with the objective that all employees of the Group and other interested parties have the mechanisms to act when they want to use the whistleblowing channel. An abridged version of our Whistle-Blowing Policy can be found on our website at www.handalenergy.com .	
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	:	The Board comprises seven (7) members, of whom two (2) play an executive role. The remaining five (5) members are Independent Non-Executive Directors. The Board composition complies with the Main Market Listing Requirements that requires a minimum of two (2) Directors or one third (1/3) of the Board, whichever the higher, to be Independent Directors. The five (5) Independent Non-Executive Directors have good records and credentials to ensure that there is independence of judgement and balance of power and authority on the Board. The Independent Non-Executive Chairman encourages free expression of opinion and healthy discussion by all directors, allowing sufficient time for discussion of issues and ensuring that all directors are able to fully and actively contribute to the deliberations and the Board's decisions to fairly reflect Board consensus. Notwithstanding the above, the Board operates in a manner that ensures the Directors exercise independent judgement and the interests of shareholders are also taken into consideration when decisions are made by 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

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

Practice 4.2

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

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

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

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	Presently, there are no Independent Directors who have served up to nine years. However, the Board takes cognisance of this requirement and will implement, through its Board charter, a policy which limits the tenure of its Independent Directors to nine (9) years and to seek annual shareholders' approval with justification should the Board wish the Independent Director to continue in office.

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	:	With a view to achieve a sustainable and balanced development, the Company sees increasing diversity at the Board and senior management levels as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In any appointment, a number of aspects are considered to maintain a diversified Board and senior management team which will help in the growth of the Group and to have better governance in the Group, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. An inclusive culture helps us to respond to our increasingly diverse customer base. All appointments will be based on merits, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and workforce.	
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 4.5

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

Application	:	Applied	
Explanation on application of the practice	:	The Company has in place a Boardroom Diversity Policy which also includes gender diversity. The Nomination Committee is mindful of its responsibilities to conduct all Board appointment processes in a manner that promotes gender diversity while taking into consideration the suitability of each candidate. Presently, the Company has one (1) woman director, namely Ms. Jacqueline Fong Yean Yee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	The Remuneration and Nomination Committees play the critical role of linking the Board’s director recruitment, selection and succession planning processes to the Company’s strategic goals.	
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 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by Ms. Jacqueline Fong Yean Yee, an Independent Non-Executive Director.	
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

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	:	The annual evaluation has provided our Board and its committees with the opportunity to consider how Group culture, cohesiveness, composition, leadership and related meeting and information processes and governance policies influence performance. In addition to helping identify areas for adjustment, the evaluation provided an opportunity to remind Directors of the importance of group dynamics and effective Board and Committee processes in fulfilling Board and Committee responsibilities. Further details are set out in the CG Overview Statement in the Annual Report 2019.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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	:	The Board is assisted by the Remuneration Committee in reviewing the framework of Executive Directors' remuneration and the remuneration package for each Executive Director and any performance related pay schemes for Executive Directors and annually reviews Executive Directors' scope of service contracts. The Remuneration Committee also reviews the remuneration of key senior management. The remuneration of the Executive Directors and the key senior management are reviewed based on each individual's performance and the overall financial performance of the Group. The Board also determines the fees and allowances of the Non-Executive Directors after considering the recommendation of the Remuneration Committee and the Non-Executive Directors abstain in the discussion of their own remuneration.
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	:	Following the implementation of the MCCG in 2017, our Remuneration Committee’s Terms of Reference, copy of which is available on the Company’s website at www.handalenergy.com , has been reviewed and expanded to include the review of the remuneration of senior executive management.	
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 details of the remuneration of Directors of the Company comprising remuneration received/receivables from the Company and subsidiary companies during the financial period ended 30 June 2019 are disclosed in the CG Overview Statement.	
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	:	While the Company notes the need for corporate transparency in the remuneration of its key senior management executives, the Company notes that such disclosure of specific remuneration information may give rise to recruitment and talent retention issues. The Company further believes that the interest of the shareholders will not be prejudiced as a result of such non-disclosure of the identity and remuneration of the Company’s top six (6) senior management personnel who are not Directors.	
		To provide some insight on the level of remuneration paid to the senior management team, the Company has taken steps to disclose the aggregate remuneration of the top six (6) key senior management during the 18-month financial period ended 30 June 2019.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
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 and Risk Management Committee of the Company is not the Chairman of the Board as our Board acknowledges that the need for the Audit and Risk Management Committee to be an independent, objective committee to ensure the integrity of financial controls, reporting processes and effective financial risk management.	
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	:	Conflict of interest is one primary concern of the Company for ensuring the independency of the Audit and Risk Management Committee. As a measure to safeguard the independent and objectivity of the audit process, the Audit and Risk Management Committee has incorporated a policy stipulation that governs the appointment of a former key audit partner to the Audit and Risk Management Committee. The policy, which is codified in the Audit and Risk Management Committee's Terms of Reference, requires a former key audit partner to observe a cooling-off period of at least two (2) years before he can be considered for appointment as a Committee member. Such restriction is stated in the Audit and Risk Management Committee's Terms of Reference which is available on the Company's website at www.handalenergy.com.
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	:	The Audit and Risk Management Committee is responsible for reviewing, assessing and monitoring the performance, suitability and independence of external auditors, as mentioned in the Audit and Risk Management Committee’s Terms of Reference which is available at the Company’s website at www.handalenergy.com .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit and Risk Management Committee comprises solely of Independent Non-Executive Directors as disclosed in the Annual Report 2019.

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	:	Audit and Risk Management Committee’s effectiveness hinges on a number of critical factors, including knowledge, experience, commitment and de facto independence of its members; the Audit and Risk Management Committee’s leadership, the Audit and Risk Management Committee’s dynamics and chemistry; and the Audit and Risk Management Committee’s quality interaction with management and auditors (internal and external). Majority of the members of the Audit and Risk Management Committee who have the necessary financial and commercial expertise and skills required to meet their responsibilities and provide an effective level of challenge to management, have relevant financial experience. The Audit and Risk Management Committee members receive ongoing training and development as detailed in the “Access to Continuing Education Programmes” of the CG Overview Statement in 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

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	:	The Audit and Risk Management Committee was established to assist the Board’s functions in identifying principal risks, ensuring the policies put in place is adequate and procedures and recommendation with regards to the management or risks and internal control are being followed through by the various business/operating units.	
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 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Board has established a framework, through the Audit and Risk Management Committee to formulate and review risk management policies and risk strategies. Further information on the Group's risk management and internal control are presented in the Statement on Risk Management and Internal Control in 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

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	:	The Audit and Risk Management Committee is comprised of solely Independent Non-Executive Directors. The Board is of the opinion that the current composition is sufficient and adequate for the Audit and Risk Management Committee to carry out its functions in assisting the Board.

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	:	The Audit and Risk Management Committee of the Company is responsible for monitoring and reviewing the effectiveness of the Group's Internal Audit function. The Group has outsourced the Internal Audit function to provide the Board and senior management assurance around internal controls. The function is independent of the external auditors and the Internal Auditor has a direct reporting line functionally to the Audit and Risk Management Committee. The role of Internal Audit is to provide objective assurance to the Audit and Risk Management Committee and the senior management that operations and functions are efficient and effective. The Internal Auditor attends and reports at each Audit and Risk Management Committee meeting on reviews conducted during each quarter. During the 18-month financial period ended 30 June 2019, the Internal Auditor met five (5) times with the Audit and Risk Management Committee. For further details, please refer to the Audit and Risk Management Committee Report in 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

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	:	The Internal Audit function is currently outsourced to an independent professional firm. The Internal Audit function reports to the Audit and Risk Management Committee of the Board. This reporting relationship promotes independence and objectivity, which assures adequate consideration of audit recommendations and planned suggestive corrective actions. The activities of the Internal Auditor are guided by the Internal Audit Plans that are presented to and approved by the Audit and Risk Management Committee. The internal audit function of the Group for the 18-month financial period ended 30 June 2019 was conducted by Siva & Associates and then subsequently Baker Tilly Monteiro Heng Governance Sdn Bhd.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	The Board maintains a dialogue with shareholders and stakeholders through the Annual Reports, timely disclosures and announcements made to Bursa Securities and the Company’s website and AGM. Further details are set out in the CG Overview Statement in 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

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable as Handal Energy Berhad is not considered a large company. Upon achieving such status, the Board shall then decide on the adoption of integrated reporting based on a globally recognised framework.	
<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	:	The 2019 Annual General Meeting (“ AGM ”) will be held on 26 November 2019 and the Notice convening the AGM is sent to shareholders on 24 October 2019, which is more than 28 days’ notice prior to the 2019 AGM.	
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	:	Barring unforeseen circumstances, all Directors of the Company will endeavour to attend all General Meetings of the Company, including the upcoming 2019 AGM. The Chairpersons of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee will be present on stage to provide responses if there are any questions addressed to them.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company's 2019 AGM is to be held in Kota Kinabalu, Sabah, which is not a remote location. In view of the number of shareholders and the size of the Company, the participation of shareholders of the Company at the general meeting is currently by way of attending in person or by proxy. The shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting. If necessary, the Group would embark on electronic voting and remote shareholder participation, if our shareholders requested for such services.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

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

Not applicable
