

CORPORATE GOVERNANCE REPORT

STOCK CODE : 4324
COMPANY NAME : HENGYUAN REFINING COMPANY BERHAD
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 PERSUANT TO 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 primary role of Hengyuan Refining Company Berhad's ("Company") Board of Directors ("Board") is to represent, promote and protect the interests of the Company which include the shareholders and stakeholders.</p> <p>The Board shoulders the ultimate responsibility of determining the direction of the Company and monitoring the Company's performance thereby ensuring the long-term success of the Company and the delivery of sustainable value to its stakeholders within a framework of prudent and effective controls that enable risks to be assessed and managed.</p> <p>To effectively discharge the Board's functions and responsibilities, certain powers were delegated to the relevant Board Committees and Management of the Company. The Board continues to be supported by the Board Audit Committee ("BAC"), Board Nominating and Remuneration Committee ("BNRC"), Board Risk Management Committee ("BRMC"), Board Projects Review Committee ("BPRC"), Board Tender Committee ("BTC") and Board Whistleblowing Committee ("BWC").</p> <p>On 27th November 2019, the Board established the Board Whistleblowing Committee to assist the Board to further strengthen the Company's corporate governance culture by ensuring the highest standards of integrity, openness and accountability in the conduct of its businesses and operations are met.</p> <p>Amongst others, the Board assumes the following principal responsibilities:</p> <p>(i) Together with senior management, to promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour.</p> <p>The Company has a full set of governance controls including a full set of appropriate policies including HRC's General</p>

Business Principles, Code of Conduct, Manual of Authorities, a control framework, approval checks at various levels and many other controls. Management always seeks to live by and to enforce these principles and controls.

On 26th July 2019, the Company was certified by SIRIM to have achieved ISO 37001:2016 on Anti Bribery Management Systems. The certificate testified the Company's commitments to uphold and promote good corporate governance culture within the Company, supported by its existing Core Values, Code of Conduct, General Business Principles and Anti-Bribery and Corruption and Anti-Money Laundering Manual.

(ii) Reviewing and adopting a strategic plan for the Company

The Board recognises the importance of strategic plans to ensure the sustainability of the business and to achieve that, the Board continues to enhance the components in the Company's business plan and scorecard. This enables the Board to monitor and assess the Company's performance and to ultimately meet its business objectives. With assistance from the Board Committees, the Board reviews, challenges and deliberates on the Company's performance during Board meetings.

On 27th November 2019, the Board approved a Business Strategy tabled by the Management which sets out the strategy timelines to achieve both short-term and long-term value creation for the Company. The focus for 2020 is to complete the major projects and mitigation of supply and financial impacts.

In addition to the above and on the same day, the Board approved the Company's new Purpose, Vision, Mission and Values, setting out a new direction for the upcoming years and shall execute the launching and implementation in 2020.

(iii) Overseeing the conduct of Company's business

The Board oversees the Company's business and assesses the performance of the Management to determine whether the businesses are properly managed. This includes assessments on financial management, corporate governance, risk management, compliance to laws and regulations and human capital management.

A Scorecard based on Key Performance Indicators for Management was fixed by the Board as mechanism to measure the effectiveness and performance of the Management from time to time.

Board and Board Committees meetings are held in accordance to the frequency specified in the Board Charter and respective Terms of Reference for Board Committees, with additional meetings to be convened as and when necessary to review, challenge and decide the important

matters pertaining to the Company which include proposals tabled by the Management.

(iv) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures.

The Board understands the principal risks of the Company business and recognises that business decisions involve taking appropriate risks. To ensure appropriate internal controls and mitigation measures are in place, the BAC and BRMC assists the Board to assess and anticipate potential risks to the Company and recommending appropriate actions to be taken to mitigate the risks.

The primary roles of the BAC involve bringing transparency, focus and independent judgement required in assisting the Board to monitor the Company's management of financial risk processes, accounting and financial reporting practices. The BAC also reviews the business process, accounting function, financial reporting and internal controls system of the Company to ensure proper internal controls are implemented and to enhance the independence of both the external and internal audit functions by providing direction to and oversight of these functions on behalf of the Board.

Amongst others, the primary roles of the BRMC include the determination and ensuring that comprehensive policies of risk management are set up to identify and measure the potential impact of the Company's key business risks and to counter such threats and take advantage of opportunities arising from the identified risks. The BRMC together with Management also sets out the risk management framework for the Company and recommends the same to the Board for approval.

(v) Succession planning

The BNRC assists the Board to oversee the nomination and remuneration functions to ensure orderly succession planning for directors and key members of the senior management is in place as well as undertakes the annual assessment of the effectiveness of the Board and Board Committees.

The BNRC will recommend nominations to the Board for appointments to the Board and Board Committees, as well as evaluate and recommend to the Board the employment, promotion, discipline and termination of the key members of the senior management with positions of Chief Executive Officer ("CEO"), Deputy Chief Executive Officer ("DCEO"), Chief Financial Officer ("CFO") and Human Resource ("HR") Manager based on objective criteria, merit and with due regard for diversity of gender, nationality, age, culture, socio-economic background, skills, experience and independence.

	<p>(vi) Overseeing the development and implementation of a stakeholder communications policy for the company The Company reaches out to its investors and other stakeholders mainly through communications published on the Company’s website and announcements made via quarterly financial reports, Bursa Malaysia Securities Berhad (“Bursa Malaysia”), circulars or press statements, whenever required. Apart from that, the Company continues to engage in active communication with the communities near the Company located in Port Dickson to foster close relationships while consistently updating its stakeholders on the business affairs especially on matters that may affect the community.</p> <p>(vii) Reviewing the adequacy and the integrity of the management information and internal control systems of the Company The Board and Management continues to base the efficacy of the Company’s internal control systems on the Control Framework approved by the Board since 2018. The Control Framework supports the Company business’ objectives to achieve excellence in three (3) areas:</p> <ul style="list-style-type: none"> (a) The effectiveness and efficiency of operations; (b) The reliability of internal and external reporting; and (c) Compliance with laws and regulations. <p>The Board is also supported by its internal audit and risk and integrity functions to ensure the internal controls are properly managed.</p> <p>The principal responsibilities of the Board are set out in the Board Charter and Terms of Reference for the Board Committees, all of which are published at www.hrc.com.my.</p>
Explanation for departure	: Not Applicable
<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.

Applications	Applied
Explanation on application of the practice	<p>Mr. Wang YouDe continues to hold the position as Chairman of the Board ("Chairman"). In accordance with the Company's Board Charter ("Board Charter"), the Chairman is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board and amongst others, his duties include the following:</p> <ul style="list-style-type: none">(i) Managing Board meetings to ensure robust decision making by setting the agenda for each Board meeting together with senior management and the company secretary, ensuring provision of accurate, complete, clear and timely information to the directors and that directors are properly briefed on issues arising at Board meetings; leading and acting as facilitator at Board meetings and discussions; and managing boardroom dynamics by promoting positive culture of openness and debate, encouraging active participation and allowing dissenting views to be freely expressed;(ii) Building a high-performance Board by providing leadership to enable the Board to perform its responsibilities effectively, establishing an effective corporate governance systems and practices, arranging regular evaluation of the performance of the Board, its Board Committees and individual directors, ensuring competency, behavioural and independence analysis assessment is conducted prior to any new appointments to the Board and ensuring that Board and senior management succession planning is considered on an ongoing basis;(iii) Managing Board and senior management interface by acting as conduit, developing a positive relationship with the Chief Executive Officer by acting as a confidant and advisor and facilitating the selection and appointment of successor to the position of Chief Executive Officer;(iv) Being the Company's public face by acting as the spokesperson for the Board and representing the Company

	<p>during shareholders' meetings and on other occasions when actions are taken or statements are made in the name of the Company, both domestically or abroad; and</p> <p>(v) Ensures that appropriate steps are taken to provide effective communication with stakeholders and that their views are fully communicated to the Board as a whole.</p> <p>The Chairman continues to earn trust from the members of the Board to carry out his responsibilities as Chairman of the Board. In the Board Effectiveness Assessment for Financial Year 2019 ("BEA FY2019"), the results show that the Chairman demonstrates and commands effective leadership of the Board and had ensured that decision-making process are conducted effectively, and crucial alternatives are considered.</p> <p>The role of the Chairman can be found under Paragraph 5.2 of the Board Charter, available on the Company's website at www.hrc.com.my.</p>
<p>Explanation for departure</p>	<p>: Not Applicable</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

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 is Mr. Wang YouDe and the current CEO is Mr. Erkki Tapio Ranta.</p> <p>An announcement was made on 28th November 2019 through Bursa Malaysia on the change of principal officer. Mr. David Ronald Keat ceased his responsibilities as the CEO of the Company with effect from 29th February 2020 upon the expiry of his employment contract and Mr. Erkki Tapio Ranta assumed the position with effect from 1st March 2020.</p> <p>Neither Mr. David Ronald Keat nor Mr. Erkki Tapio Ranta was or are members of the Board.</p>
Explanation for departure	:	Not Applicable
<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 the Company, Lim Hooi Mooi and Ong Wai Leng, are qualified to act as Company Secretary under the Companies Act 2016. Both are members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).</p> <p>The Company Secretaries' responsibilities include the following:</p> <ul style="list-style-type: none">(i) Attending Board and Board Committees meetings and ensuring that the proceedings of meetings are recorded, and the minutes of meetings, which shall accurately reflect the deliberations and decisions made by the Board and Board Committees, including whether any Director abstained from voting or deliberating on a particular manner, are circulated in a timely manner;(ii) Advising the Board and Board Committees on their role and responsibilities;(iii) Facilitating the orientation of new Directors and assist in Directors' training and development;(iv) Advising the Board on corporate disclosures and compliance with the Main Market Listing Requirements of Bursa Malaysia as well as company and securities regulations including disclosure of interests in securities and of any conflict of interest in a transaction involving the Company;(v) Serving as a focal point for stakeholders' communication and engagement on stakeholders' expectations;(vi) Managing processes pertaining to the Company's annual general meeting; and(vii) Monitoring corporate governance development and advising and assisting the Board in applying governance practices to meet the Board's needs and stakeholders' expectations.

	The roles and responsibilities of the Company Secretaries are specified under Paragraph 13 of the Board Charter, available on the Company's website at www.hrc.com.my	
Explanation for departure	:	Not Applicable
<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>: The Company's Board Charter and Terms of Reference of its Board Committees specified that the members of the Board and Board Committees will receive the notices and agenda of meetings duly endorsed by the Chairman together with the relevant Board papers, at least five (5) working days prior to the Board and Board Committees meetings.</p> <p>Minutes of the meetings (in draft form) will be circulated to the Board and respective Board Committee members within 10 working days of the meeting. Minutes (in final draft form) will be distributed to the Board and respective Board Committee at least five (5) working days before the following meeting and shall be approved by the chairman of the meeting at which the proceeding are held or by the chairman of the next succeeding meeting.</p> <p>The Company Secretaries will follow up with the Management on the status of actions taken with reference to the previous minutes of meeting and the updates will be recorded as a matters arising paper tabled at the subsequent Board and Board Committee meetings.</p> <p>In 2019, the Board opined that the quality of the content and timeliness for circulation of board papers and meeting minutes had shown an improvement in comparison to 2018 based on the assessment results in the BEA FY2019. However, the Board wishes to see further improvement in those areas by the Management, to ensure sufficient time and adequate information is presented to facilitate decision making on subject matters by the Board and Board Committees.</p>
Explanation for departure	: Not Applicable
<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 regularly reviews and evaluates the adequacy of its Board Charter to ensure the clarity in the roles and responsibilities of the Board, its committees, individual directors, relation between the Board and management and issues reserved for the Board.</p> <p>The roles and responsibilities of the Board, the Chairman, Directors and Individual Directors are clearly stated in Paragraph 5 of the Board Charter.</p> <p>Paragraph 6 of the Board Charter specifies the matters reserved for the Board which include:</p> <ul style="list-style-type: none">(i) Company's strategy, plans and budgets;(ii) Acquisitions and disposals and transactions exceeding the approved authority limits;(iii) Appointments and changes of CEO, DCEO, CFO and HR Manager;(iv) Approvals of remuneration and benefit packages including annual bonus and salary increment for directors, CEO, DCEO, CFO and for expatriate employees; and(v) Approvals and changes in the key policies, procedures and delegated authority limits of the Company. <p>The latest Board Charter was approved by the Board on 29th August 2019 and is published at www.hrc.com.my.</p>
Explanation for departure	:	Not Applicable

<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 Company's Code of Conduct provides the information and guidelines for the Company to achieve its business principles and core values of "Honesty", "Integrity" and "Respect for People".</p> <p>The content of the Code of Conduct includes:</p> <ol style="list-style-type: none">i. Individual responsibility and integrity;ii. Unethical behaviour;iii. Health, safety, security environment and social performance;iv. Harassment;v. Corruption and bribery;vi. Conflicts of interest;vii. Money laundering;viii. Breach of law and regulations;ix. Insider dealing; andx. Use of IT and electronic communications including managing the risk of data privacy, intellectual property, information and records management and business communication. <p>In addition to the Code of Conduct, the Company's Anti Bribery & Corruption & Anti Money Laundering Manual ("ABC & AML Manual") further strengthens the Company's requirements for its employees and business partners to comply with laws that prohibit bribery, corruption and money laundering.</p> <p>Both the Code of Conduct and ABC & AML Manual are published on www.hrc.com.my.</p>
Explanation for departure	:	Not Applicable

<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 Company is committed to achieve the highest standards of integrity, openness and accountability in the conduct of its businesses and operations.</p> <p>The Board regularly reviews and updates the Company's Whistleblowing Policy to ensure a smooth channel to facilitate disclosure of genuine and legitimate improper conduct within the Company, raised by employees, employees of Company's contractors, vendors, customers and members of the public. The latest Whistleblowing Policy was approved on 17th February 2020.</p> <p>On 27th November 2019, the Board established the BWC as a Board sub-committee with the following primary objectives:</p> <ul style="list-style-type: none">(i) To review, investigate and resolve complaints of improper conduct of any member of the Board or any employee of the Company that is submitted to the BWC through the Company's whistleblowing channel;(ii) To develop the Company's Whistleblowing Policy and procedures and to implement them together with the management of the Company; and(iii) To periodically assess the adequacy and effectiveness of the Company's Whistleblowing Policy and procedures and to revise them as necessary. <p>The current composition of the BWC consists of three (3) members of the Board, the majority being independent directors. The chairman of the BWC is Mr. Liang Kok Siang, an independent Non-Executive Director of the Board.</p> <p>The Terms of Reference for BWC were approved by the Board on 27th November 2019 and the latest Whistleblowing Policy are both published on the Company's website at www.hrc.com.my.</p>

Explanation for departure	:	Not Applicable	
<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 of independent directors.

Application	:	Applied
Explanation on application of the practice	:	<p>As at 31st December 2019, the Board consists of six (6) directors, two (2) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors (“INEDS”).</p> <p>Through BEA FY2019, the INEDS declared their independency in accordance with paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia.</p> <p>Paragraph 3.1 of the Board Charter provides that at any one time, the majority of the Board members shall be INEDS to ensure balance of power and authority within the Board.</p> <p>The latest Board Charter was approved by the Board on 29th August 2019 and is published at www.hrc.com.my.</p>
Explanation for departure	:	Not Applicable
<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 4.2

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	
Explanation on application of the practice	:	As at 31 st December 2019, none of the Company's independent directors have served beyond 9 years on the Board.	
Explanation for departure	:	Not Applicable	
<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	:	Applied
Explanation on adoption of the practice	:	<p>The Company's Board Charter set out that the tenure of an independent non-executive director should not exceed a cumulative term limit of nine (9) years.</p> <p>The above is specified in Paragraph 3.4 of the Board Charter, published on the Company's website at www.hrc.com.my.</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 BNRC continues to assist the Board with screening and selection of potential candidates for the Board having regards to the following factors:</p> <ul style="list-style-type: none"> (i) Skills, knowledge, expertise and experience; (ii) Time commitment, character, professionalism and integrity; (iii) Ability to work cohesively with other members of the Board; (iv) Specialist knowledge or technical skills in line with the Company's strategy; (v) Diversity in age, gender and experience and/or background; and (vi) Number of directorships in companies outside the Company. <p>The Board and BNRC also conduct screening and selection of potential candidates based on merit, skills, experience, age, cultural background and gender and tries to achieve gender diversity where possible. The same criteria above are also applicable for selection and appointment to the Company's Management team.</p> <p>As at 31st December 2019, the Board consists of directors with the following attributes:</p> <table border="1" data-bbox="555 1420 1417 1547"> <thead> <tr> <th rowspan="2">Number of Directors</th> <th colspan="4">Race/Ethnicity</th> <th colspan="2">Nationality</th> </tr> <tr> <th>Malay</th> <th>Chinese</th> <th>Indian</th> <th>Others</th> <th>Malaysian</th> <th>Foreigner</th> </tr> </thead> <tbody> <tr> <td></td> <td>2</td> <td>1</td> <td>1</td> <td>2</td> <td>4</td> <td>2</td> </tr> </tbody> </table> <table border="1" data-bbox="555 1581 1326 1709"> <thead> <tr> <th rowspan="2">Number of Directors</th> <th colspan="2">Age Group</th> <th colspan="2">Gender</th> </tr> <tr> <th>50-59</th> <th>60-69</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td></td> <td>4</td> <td>2</td> <td>5</td> <td>1</td> </tr> </tbody> </table> <table border="1" data-bbox="555 1742 1369 1980"> <thead> <tr> <th>No.</th> <th>Experience/ Skills</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Corporate Governance</td> <td>83%</td> </tr> <tr> <td>2.</td> <td>Regulatory Compliance / Legal</td> <td>67%</td> </tr> <tr> <td>3.</td> <td>Internal Controls / Risk Management / Audit</td> <td>100%</td> </tr> <tr> <td>4.</td> <td>Finance: Accounting/ Treasury/ Tax</td> <td>67%</td> </tr> <tr> <td>5.</td> <td>Corporate Finance / Mergers & Acquisitions</td> <td>67%</td> </tr> <tr> <td>6.</td> <td>Commercial, Economics and Scheduling</td> <td>83%</td> </tr> </tbody> </table>	Number of Directors	Race/Ethnicity				Nationality		Malay	Chinese	Indian	Others	Malaysian	Foreigner		2	1	1	2	4	2	Number of Directors	Age Group		Gender		50-59	60-69	Male	Female		4	2	5	1	No.	Experience/ Skills	Percentage	1.	Corporate Governance	83%	2.	Regulatory Compliance / Legal	67%	3.	Internal Controls / Risk Management / Audit	100%	4.	Finance: Accounting/ Treasury/ Tax	67%	5.	Corporate Finance / Mergers & Acquisitions	67%	6.	Commercial, Economics and Scheduling	83%
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	7.	QHSSE	83%				
	8.	Strategy and Oil & Gas	67%				
	9.	Supply / Marketing / Sales	50%				
	10.	Contracting and Procurement	33%				
	11.	Project Management / Engineering	67%				
	12.	Human Resource & Development	67%				
	13.	Information Technology	50%				
	14.	Banking	17%				
	As at 31 st December 2019, the Management team consists of:						
			Race/Ethnicity		Nationality		
	Number of Management members	Malay	Chinese	Indian	Others	Malaysian	Foreigner
		5	3	-	3	8	3
			Age Group			Gender	
	Number of Management members	30-39	40-49	50-59	Male	Female	
3		4	4	8	3		
On 1 st October 2019, Mr. Quek Ting Chin was appointed the Chief Financial Officer of the Company with the approval of the Board.							
Explanation for departure	:					Not Applicable	
	:						
<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>As at 31st December 2019, the Board comprises of six (6) directors, one (1) of whom is female, representing 17% female representation.</p> <p>The Board does not set specific targets on gender diversity for the Company but endeavours to improve the number of women directors on the Board. However, the normal selection criteria based on the following will still remain a priority for assessment of candidates for the Board:-</p> <ul style="list-style-type: none"> (i) Skills, knowledge, expertise and experience; (ii) Time commitment, character, professionalism and integrity; (iii) Ability to work cohesively with other members of the Board; (iv) Specialist knowledge or technical skills in line with the Company's strategy; (v) Diversity in age, gender and experience and/or background; and (vi) Number of directorships in companies outside the Company. <p>As at 31st December 2019, the Board opined that the current composition of the Board is adequate and shall be reviewed on an annual basis or whenever necessary, if appointment of an additional member(s) to the Board is required based on the Company's needs or any changes to the current composition of the Board.</p>
<i>Large Companies are required to complete the columns below. Non-Large companies are encouraged to complete the columns below.</i>		
Measure	:	As specified in paragraph 3.6 of the Board Charter, the Board recognizes the importance of gender diversity to support women's participation in decision making positions and will continue to work towards the direction for improvement.
Timeframe	:	Within one (1) year

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The BNRC considers and recommends candidates for directorship to the Board for appointment based on the required mix of skills, knowledge, professionalism, integrity, experience and other qualities.</p> <p>Paragraph 4.1.2(e) of the BNRC's Terms of Reference provides that the BNRC may solicit and consider the views of existing Board members, management, major shareholders, independent search firms and a variety of other independent sources to identify suitably qualified candidates for appointment as Directors and members of the respective Board Committees. If independent sources were not used, the BNRC shall make disclosure to that effect in the Company's annual report and provide an explanation as to why other sources were not used.</p> <p>The Terms of Reference for the BNRC is published at the Company's website at www.hrc.com.my.</p>
Explanation for departure	:	Not Applicable
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of BNRC is Mr. Surinderdeep Singh A/L Mohindar Singh, an independent Non-Executive Director appointed to the Board since 23 rd February 2019.	
Explanation for departure	:	Not Applicable	
<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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>In August 2019, the BNRC reviewed the options to engage an external consultant to facilitate the overall effectiveness of the Board and individual directors. After taking into considerations the costs involved and the Board's needs, it was decided that the BEA FY2019 was to be conducted internally with expansion of the scope to the existing template of questionnaires to cover a holistic perspective to identify areas for improvement.</p> <p>The Board is satisfied with the operation and overall effectiveness of the Board for FY 2019 and that the Board has effectively discharged its duties in accordance with the Company's Board Charter. However, the Board opined that there are areas for improvement such as efficiency of Board meetings and succession planning.</p> <p>The Board Committees (BAC, BNRC, BRMC, BPRC and BTC) had respectively carried out self-evaluation and the members of the Board Committees are satisfied with the overall effectiveness of the respective Board Committees.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The BNRC will consider whether to engage independent experts to facilitate objective board evaluations on an annual basis.
Timeframe	:	Within one (1) year

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>A Directors Remuneration Policy was approved by the Board on 27th November 2019 with objectives to ensure that the compensation packages to the directors are reflective of the Company's demands, complexities and performance as a whole as well as the skills and experience required, in line with the strategic objectives of the Company which rewards contribution to the long-term success of the Company.</p> <p>The BNRC is guided by the following principles prior to its endorsement and recommendation to the Board of the remuneration to be paid to the individual directors:</p> <ul style="list-style-type: none">(i) The demand, complexities and performance as a whole of the Company;(ii) The level of responsibilities, skills, expertise and experience required;(iii) That the remuneration is set at a competitive level for similar roles and responsibilities within current market practices by comparable companies; and(iv) That any such remuneration incentives do not conflict with the directors' obligations to bring objectivity and independent judgment to the Company. <p>The remuneration structure for positions of CEO, DCEO, CFO and expatriate employees will continue to be regulated by the BNRC and in accordance with its Terms of Reference, taking into account their recent remuneration history, the individual's merit, qualification, skills, competence and performance and rewarding their contribution to the Company having regard to their</p>

	<p>achievement of their performance targets and the Company's operating results.</p> <p>Both the Directors Remuneration Policy and the BNRC Terms of Reference are published on the Company's website at www.hrc.com.my.</p>	
Explanation for departure	:	Not Applicable
<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 takes 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	:	BNRC continues to assist the Board for establishment and implementation of policies involving the remuneration of directors and for positions of CEO, DCEO, CFO and expatriate employees in accordance with its Terms of Reference published on the Company's website at www.hrc.com.my .	
Explanation for departure	:	Not Applicable	
<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>Details of remuneration breakdown of individual Directors, including fees, salary, bonus, benefits in-kind and other emoluments (received or to be received from the Company) for financial year ended 31st December 2019 are as follows:</p> <table border="1"> <thead> <tr> <th>(in RM'000)</th> <th>Salaries, bonus and salaries related benefits</th> <th>Directors' fees</th> <th>Attendance and other remuneration</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Wang YouDe</td> <td>-</td> <td>793</td> <td>4</td> <td>797</td> </tr> <tr> <td>Wang ZongQuan</td> <td>-</td> <td>234</td> <td>4</td> <td>238</td> </tr> <tr> <td>Lim Tau Kien (Resigned on 22 February 2019)</td> <td>-</td> <td>53</td> <td>1</td> <td>54</td> </tr> <tr> <td>Alan Hamzah Sendut</td> <td>-</td> <td>242</td> <td>4</td> <td>246</td> </tr> <tr> <td>Fauziah Hisham</td> <td>-</td> <td>186</td> <td>4</td> <td>190</td> </tr> <tr> <td>Liang Kok Siang</td> <td>-</td> <td>219</td> <td>4</td> <td>223</td> </tr> <tr> <td>Surinderdeep Singh Mohindar Singh</td> <td>-</td> <td>206</td> <td>3</td> <td>209</td> </tr> <tr> <td>Total</td> <td>-</td> <td>1,933</td> <td>24</td> <td>1,957</td> </tr> </tbody> </table> <p>The Director of the Company were insured against certain liabilities under a Directors' and Officers' liability insurance policy for which the Company paid an aggregate sum of RM57,000.</p>	(in RM'000)	Salaries, bonus and salaries related benefits	Directors' fees	Attendance and other remuneration	Total	Wang YouDe	-	793	4	797	Wang ZongQuan	-	234	4	238	Lim Tau Kien (Resigned on 22 February 2019)	-	53	1	54	Alan Hamzah Sendut	-	242	4	246	Fauziah Hisham	-	186	4	190	Liang Kok Siang	-	219	4	223	Surinderdeep Singh Mohindar Singh	-	206	3	209	Total	-	1,933	24	1,957
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Total	-	1,933	24	1,957																																											
Explanation for Departure	:	Not Applicable																																													

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 7.2

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>After much consideration by the Board and due to the competition in the oil gas industry for good talent, the Board decided to defer from Practice 7.2 as talent poaching has increased and the Company would like to avoid targeted approaches to specific staff to ensure that its retention efforts are safeguarded.</p> <p>On an annual basis the Board will consider the disclosure of the top five management's remuneration component.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	To consider disclosing the top five (5) senior Management's remuneration component on annual basis.
Timeframe	:	Within one (1) year

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>The positions of the Chairman of the Board and the Chair of the BAC are held by different individuals.</p> <p>The Chair of the BAC is Mr. Alan Hamzah Sendut, who is an INED of the Company.</p> <p>The Chairman of the Board is Mr. Wang YouDe, who is not a member of the BAC.</p>	
Explanation for departure	:	Not Applicable	
<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>Paragraph 2.7 of the BAC’s Terms of Reference provides that a former key audit partner of the external auditors shall be subject to a minimum two (2) years cooling-off period before being appointed as a member of the BAC.</p> <p>At present, none of the Directors of the Board are key audit partners of the external auditors of the Company.</p> <p>The Terms of Reference of the BAC is accessible on the Company’s website at www.hrc.com.my.</p>	
Explanation for departure	:	Not Applicable	
<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>Paragraph 4.3 of the BAC's Terms of Reference provides guidance to the BAC when dealing with external auditors. It provides that the BAC is responsible for recommendation to the Board for appointment or re-appointment of external auditor and the audit fee after reviewing their suitability, resources, competency and independence and any resignation or dismissal of the external auditor and the reasons of such resignation or dismissal.</p> <p>The external auditor will be evaluated on an annual basis based on the suitability, objectivity and independence of the external auditor and taking into consideration the following factors:</p> <ul style="list-style-type: none">(i) The competence, audit quality and resource capacity of the external auditor in relation to the audit;(ii) The nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and(iii) Obtaining written assurance for the external auditors confirming their independence throughout their audit engagement in accordance with all professional and regulatory requirements. <p>The Terms of Reference of the BAC is accessible on the Company's website at www.hrc.com.my.</p>
Explanation for departure	:	Not Applicable

<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	:	Applied.	
Explanation on adoption of the practice	:	The composition of the Company's Board Audit Committee comprises solely of four (4) independent non-executive directors as follows:	
	1.	Alan Hamzah Sendut (Chairman)	Independent Non-Executive Director
	2.	Fauziah Hisham	Independent Non-Executive Director
	3.	Liang Kok Siang	Independent Non-Executive Director
	4.	Surinderdeep Singh Mohindar Singh	Independent Non-Executive Director
Explanation for departure		Not Applicable	
<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 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The BAC comprises four (4) members with a diverse mix of skills, knowledge, experience and perspectives in the areas of accounting, corporate finance, banking, the oil and gas industry, strategy, corporate governance and banking, which enables the BAC to discharge its duties.</p> <p>Mr. Alan Hamzah Sendut continues to chair the BAC in 2019. He is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales (1986), Malaysian Institute of Accountant (1987) and Chartered Audit Committee Director, Institute of Internal Auditors Malaysia (2018). Accordingly, the Company complies with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements.</p> <p>Paragraph 2.2 of the Terms of Reference of the BAC provides that committee members are expected to undertake continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules.</p> <p>The list of trainings attended by the members of the Board including the members of the BAC can be found on pages 150-151 of the 2019 Annual Report.</p>
Explanation for departure	:	Not Applicable

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 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board strives to maintain a sound internal control and risk management system to ensure a smooth running of the business. It is the Company's aim to manage its risks and to control its business and financial affairs economically, efficiently and effectively so as to be able to deliver profitable business opportunities in a disciplined way, to avoid or mitigate risks that can cause loss, reputational damage or business failure, and to enhance resilience to external events.</p> <p>The BAC assists and supports the Board's responsibility of overseeing the suitability, objectivity and independence of the Company's external auditor and internal audit functions. The adequacy of the Company's Control Framework and effectiveness of the internal control system has been reviewed and endorsed by the BAC based on the assurance provided by the external and internal auditors. Audit issues and actions taken by Management to address the issues tabled by the auditors during 2019 were deliberated on during the BAC meetings.</p> <p>BRMC provides oversight and direction on risk management matters to ensure prudent risk management over the Company businesses and operations. The Management is responsible to conduct a systematic and comprehensive evaluation of the key risk areas which were deliberated and presented to the BRMC. The implementation of risk controls is monitored, and the results are presented during the BRMC meetings.</p> <p>Internal control and risk-related matters which warrant the attention of the Board are recommended by the Board Committees to the Board for its deliberation and approval.</p> <p>The characteristics of the Company's risk management and internal control function are described in the explanation on application for Practice 9.2 below.</p>
Explanation for departure	:	Not Applicable

<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
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<p>Explanation on application of the practice</p>	<p>:</p> <p>The Company practices fit-for-purpose risk responses to enable the Company to provide reasonably sufficient, but not an absolute assurance, against material misstatements, fraud or loss. In addition, it allows the Company to operate and achieve its objectives, within a managed and acceptable risk profile. The fit-for-purpose risk responses are primarily intended to:</p> <ul style="list-style-type: none"> (i) Minimise the likelihood of a risk occurring by actively managing the sources of the risk and ensuring competent people are overseeing the risk on a regular basis; and (ii) Mitigate the impact of a risk should it arise, often through the application of some form of alert that the risk has materialised, followed by the initiation of a contingency or recovery plan to reduce the potential consequences and also future occurrences. <p>The Company adopts the best practices from ISO 31000:2018 (Risk Management) to manage the risks of its business and operations. The Company has an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls.</p> <p>The Company's risk management is backed up by the implementation of three lines of defence that distinguishes the three groups which are involved in effective management of risk in the Company. In 2018, the Board strengthened the lines of defence by appointing a Chief Internal Auditor and a Risk and Integrity Officer. The Risk and Integrity Officer's primary functions are to ensure an adequate risk and control framework is in place, address all business integrity matters and promote an ethical culture within the Company.</p> <p>Further details of the risk management and internal control framework are provided in the Company's Statement of Risk Management and Internal Control on pages 63-67 of the 2019 Annual Report.</p>
<p>Explanation for departure</p>	<p>:</p> <p>Not Applicable</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	:	Applied									
Explanation on adoption of the practice	:	<p>As of 31st December 2019, the BRMC comprises three (3) members, two (2) of whom are INEDS. The members of BRMC are as follow:</p> <table border="1"><tr><td>1.</td><td>Wang ZongQuan (Chairman)</td><td>Non-Independent Non-Executive Director</td></tr><tr><td>2.</td><td>Alan Hamzah Sendut</td><td>Independent Non-Executive Director</td></tr><tr><td>3.</td><td>Liang Kok Siang</td><td>Independent Non-Executive Director</td></tr></table>	1.	Wang ZongQuan (Chairman)	Non-Independent Non-Executive Director	2.	Alan Hamzah Sendut	Independent Non-Executive Director	3.	Liang Kok Siang	Independent Non-Executive Director
1.	Wang ZongQuan (Chairman)	Non-Independent Non-Executive Director									
2.	Alan Hamzah Sendut	Independent Non-Executive Director									
3.	Liang Kok Siang	Independent Non-Executive Director									

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 BAC has the responsibility of ensuring that proper internal controls are implemented to enhance the independence of both the external and internal audit functions by providing direction and oversight of these functions on behalf of the Board.</p> <p>The Company's internal audit function comprises the following:</p> <ol style="list-style-type: none">(1) An independent internal audit department ("IAD"), which was established by the Board to further strengthen and better coordinate the existing assurance function within the Company. The IAD acts as an independent evaluating body to assist and provide assurance to the Board, the BAC and Management of the Company. The IAD is headed by the Chief Internal Auditor ("CIA") who reports functionally to the Chair of the BAC and administratively to the DCEO. There are two (2) Internal Auditors who report to the CIA. The Internal Auditors have sufficient mix of knowledge, skills and competencies to execute the audit plan.(2) The Company's site internal assurance team ("SIA"), which comprises of 41 trained and / or ISO certified site internal auditors from various departments in the Company. The SIA reviews the site internal assurance and process effectiveness of the Company and reports to the Quality & Health, Security, Safety and Environment ("QHSSE") Manager. <p>The internal audit charter of the IAD provides that the IAD will maintain its objectivity and independence at all times and will have no direct operational responsibility or authority over any of the activities audited. The CIA is also required to confirm the organisational independence of the IAD to the Board and the BAC annually.</p> <p>The BAC is also responsible for reviewing the independence of the internal audit function and assessing the performance of the internal audit members and services provided by the internal audit function annually.</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 IAD is headed by Nur Izatul Fitri Hussein as CIA.</p> <p>The CIA is a Certified Internal Auditor, Certified Fraud Examiner and Chartered Accountant. She holds a Bachelor’s Degree in Accountancy (Hons) from Universiti Utara Malaysia and a Certification in Risk Management Assurance from the Institute of Internal Auditors Inc. She is a member of Malaysian Institute of Accountants, a Chartered Member of The Institute of Internal Auditors Malaysia and a member of the association of Certified Fraud Examiners.</p> <p>The IAD governs itself by adherence to the mandatory elements of The Institute of Internal Auditors’ International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.</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 acknowledges the importance of effective communications to ensure that stakeholders are kept informed of the Company's objectives and strategic aims, performance and major developments affecting its business.</p> <p>The Company has a Corporate Affairs Department to ensure effective, transparent and regular communication between the Company and its stakeholders via channels including:</p> <ul style="list-style-type: none"> (i) town hall meetings; (ii) one-to-one engagement, regular visits and meetings especially to the neighbouring communities near the Company's refinery; (iii) engagement with local, state and federal government authorities to ensure compliance with laws and regulations applicable to the Company especially on financial, tax, governance, environment and health & safety; and (iv) transparent and up-to-date announcements through financial reports, annual and sustainability reports via Bursa Malaysia, circulars and press releases. <p>Examples of the Company's engagements with the local community through its corporate social responsibility initiatives are set out on pages 42-43 of our 2019 Sustainability Report, which is published on our website at www.hrc.com.my.</p>
Explanation for departure	:	Not Applicable
<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	:	<p>In 2019, the Company considered the option to adopt integrated reporting but decided to postpone the decision to adopt the recommendation after taking into consideration the Company's needs and priorities.</p> <p>Despite not adopting the integrated reporting, the Company has provided as much information as possible to its stakeholders in its quarterly financial reports, annual and sustainability reports, announcements via Bursa Malaysia, circulars and press releases to ensure stakeholders are well informed of the Company performance and facilitate decision making for investors. Many of the integrated reporting elements have been included.</p> <p>The Board will consider the adoption of integrated reporting at a later date.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	To consider the adoption of integrated reporting based on a globally recognised framework.
Timeframe	:	Within two (2) years.

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>Paragraph 15.3 of the Board Charter provides that the Board shall ensure that shareholders are given all necessary information and notice of annual general meeting of the Company, at least twenty-one (21) days before the meeting.</p> <p>Despite that, the Company has been circulating the notice of annual general meeting of the Company at least twenty-eight (28) days before the meeting. For the Company's 60th Annual General Meeting held on 28th May 2019, the notice of meeting was circulated on 25th April 2019, which was thirty-three (33) days before the meeting.</p>
Explanation for departure	:	Not Applicable
<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>The Company regards general meetings as important platforms for dialogue amongst Directors, Management and shareholders and aims to encourage active participation by the shareholders during such meetings.</p> <p>Paragraph 15.1 of the Board Charter provides that all Directors and the Chairs of the respective Committees must attend general meetings to allow shareholders to raise questions and receive meaningful response to questions raised by them.</p> <p>During the Company's 60th Annual General Meeting held on 28th May 2019, all Directors and Chairs of the respective Committees, CEO, DCEO and CFO attended the meeting and responded to the key matters raised by the shareholders in relation to the performance of the Company.</p> <p>The minutes of the 60th Annual General Meeting are published at www.hrc.com.my.</p>
Explanation for departure	:	Not Applicable
<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

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 Annual General Meeting of the Company is usually held at a prominent location, which is easily accessible with public transportation and parking within the premises for the shareholders' convenience.</p> <p>The Company held its 60th Annual General Meeting on 28th May 2019 at Nexus Ballroom, Connexion Conference & Event Centre located at Bangsar South City, Kuala Lumpur.</p> <p>The Board will revisit the adoption of Practice 12.3 in the future.</p> <p>Although the Company has yet to facilitate voting in absentia and remote participation by shareholders at general meetings, the Company has adopted electronic voting for the conduct of poll on all resolutions and shareholders may appoint another person as proxy to exercise all or any of the shareholder rights to attend, participate, speak and vote at the general meeting.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	To consider leveraging on technology to facilitate voting in absentia and remote shareholders' participation at general meetings if required by the Company.
Timeframe	:	Within four (4) years.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO 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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