

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5190
COMPANY NAME : BENALEC HOLDINGS BERHAD
FINANCIAL PERIOD : 1 July 2018 to 31 December 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE OF 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.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	Applied
Explanation on application of the practice	<p>The Board of Directors (“the Board”) of Benalec Holdings Berhad (“Benalec” or “the Company”) is primarily responsible for Benalec’s overall corporate governance and strives to ensure that it is practiced throughout Benalec Group (“the Group”) as a fundamental part of discharging their responsibilities for the protection and enhancement of shareholders’ value and the performance of the Group.</p> <p>The duties, powers and functions of the Board are governed by the Constitution of the Company, the Companies Act, 2016 (“the Act”), Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and other regulatory guidelines and requirements that are in force.</p> <p>The Board is also guided by the Board Charter which outlines the duties, responsibilities and matters reserved for the Board in discharging their duties. The details of the Board Charter are available for reference at www.benalec.com.my.</p> <p>The Board assumes, <i>inter alia</i>, the following duties and responsibilities: -</p> <ol style="list-style-type: none">i. <u>Overseeing the conduct of the Group’s business in determining whether the business is being properly managed</u> <p>To ensure the smooth execution of the Group’s policies, strategies and business plans, the Board has delegated the authority to monitor and evaluate the implementation of the Group’s policies, strategies and business plans to the Executive Director, Group Managing Director/Chief Executive Officer and Senior Management (collectively, “Key Management Team”) with the responsibility to keep the Board informed on all matters which may materially affect the Group and its business.</p>

	<p>ii. <u>Ensuring that the Group has appropriate business risk management process and framework</u></p> <p>The Board recognises the importance of managing risks and thus has put in place a sound system of internal controls which cover risk management, financial, organisational, operational and compliance controls to safeguard shareholders' investments and company's assets.</p> <p>iii. <u>Ensuring that there is appropriate investor relations and communications policy</u></p> <p>The Board recognises the importance of maintaining transparency and accountability to the shareholders and all other stakeholders. The Group uses various channels for effective communication with the stakeholders including releasing timely announcements and disclosures to Bursa Securities, media and conducting regular dialogues with financial analysts, participating in institutional investor forums and regularly updating the Company's website at www.benalec.com.my.</p>
<p>Explanation for departure :</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>Timeframe :</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 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>Mr. Wong Yoke Nyen, an Independent Non-Executive Director, helms the Board as Chairman. He provides a strong leadership to the Board and ensures orderly conduct and proceedings of the Board.</p> <p>The Chairman continues to demonstrate the highest standards of corporate governance practices and ensures appropriate steps are taken to provide effective communication with stakeholders of the Company and the Group, and that their views are communicated to the Board as a whole.</p> <p>The Chairman's profile can be found in the Company's Annual Report 2019 and the detailed role and responsibilities of the Chairman are mentioned in the Board Charter, as disclosed on the Company's website at www.benalec.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 positions of the Chairman and the Group Managing Director/Chief Executive Director ("GMD/CEO") are held by two (2) different individuals. Mr. Wong Yoke Nyen is the Independent Non-Executive Chairman while Dato' Leaw Seng Hai is the GMD/CEO of the Group.</p> <p>The Board acknowledges the importance of a clear division of responsibility between the two (2) positions in order to ensure an optimal balance of power and authority to promote accountability and enhance decision-making.</p> <p>The separation of duties of the Chairman and the GMD/CEO are clearly defined in the Board Charter as disclosed on the Company's website at www.benalec.com.my.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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
<p>Explanation on application of the practice</p>	<p>The Company Secretaries of the Company have professional qualifications, and are qualified to act as company secretary under Section 235(2) of the Act.</p> <p>The roles and responsibilities of the Company Secretaries include advising the Board on issues relating to compliance with relevant laws, rules, policies, and regulations, ensuring adherence to Board policies, rules and procedures, as well as advocate adoption of best practices in the Company's corporate governance. The roles and responsibilities of the Company Secretary are stipulated in the Board Charter, which is available on the Company's website at www.benalec.com.my.</p> <p>All Board members, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretaries, for the purposes of the Board's affairs and businesses.</p>
<p>Explanation for departure</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>Timeframe</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 1.5

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
<p>Explanation on application of the practice</p>	<p>The annual corporate calendar is prepared and circulated in advance before end of each calendar year in order to facilitate the Directors' time planning. The annual corporate calendar provides Directors with scheduled dates for meetings of the Board, the Board Committees and the Annual General Meeting, as well as the closed periods for dealings in securities by Directors based on the targeted dates of announcements of the Group's quarterly results.</p> <p>The Board conducts at least five (5) scheduled meetings annually, with additional matters being addressed by way of circular resolutions and additional meetings to be convened as and when necessary.</p> <p>A full agenda of the meeting and all Board papers, including complicated issues or specific matters, are distributed at least five (5) working days prior to the meeting date to allow sufficient information and time for the Directors to review and evaluate the matters to be deliberated at the respective meetings.</p> <p>Minutes of the Board or Board Committees' Meetings which include a record of the decisions and resolutions of the meetings would be distributed by the Company Secretaries to all Directors on a timely basis for review and thereafter for confirmation at the next Board or Board Committee Meeting.</p>
<p>Explanation for departure</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>Timeframe</p>	

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 has established a Board Charter which clearly sets out the duties, roles and responsibilities of the Board, Board Committees, Individual Directors, Chairman, GMD/CEO and Company Secretaries. It is a source of reference and primary induction literature, providing insights to prospective Board members and Key Management Team.</p> <p>A copy of the Board Charter is available on the Company's website at www.benalec.com.my.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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
<p>Explanation on application of the practice</p>	<p>The Code of Conduct and Ethics for Directors (“the Code”) was established in order to ensure that the Group adheres to high standards of ethics and corporate behaviour and commit to ethical values. A copy of the Code is available on Company’s website at www.benalec.com.my.</p> <p>The Code covers a wide area of good practices including the following subject matters:</p> <ul style="list-style-type: none"> a) Conflict of interest b) Confidential and Proprietary Information c) Price Sensitive Non-Public Information and Securities Trading d) Protection of Group's Assets e) Maintenance of Business Records f) Compliance with Applicable Laws g) Personal Gifts, Gratuities, Benefits and Contributions h) Occupational Health and Safety i) Religious/ Racial/ Sexual Discrimination j) Outside Activities and Interests k) Good manners, Courtesy and Inter-Personal Conduct l) Money Laundering m) Dishonesty, Misconduct and Corrupt Practices
<p>Explanation for departure</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>	

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company does not have a formal whistleblower policy per se. However, it encourages employees and associates to report incidences of suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, wastage, and/or abuse involving the resources of the Group.</p> <p>Any personnel who knows of a suspected breach or violation of the Code, is encouraged to whistle-blow or report the guilty party or parties to his/her immediate superior or Head of Department or the Chief Executive Officer or the Board. The Human Resource Department shall conduct an investigation on the issue(s) and/or concerns raised by the employee(s). No individual will be discriminated against or suffer any act of reprisal for reporting in good faith on actual or suspected violations of the Code.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The policy is in the process of preparation and upon approval by the Board will be available online at www.benalec.com.my in due course.
Timeframe	:	To be determined

Intended Outcome

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

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board comprises five (5) members, of which three (3) are Independent Non-Executive Directors (“INEDs”) including the Chairman, and two (2) are Executive Directors (“EDs”), one of whom also serves as the Chief Executive Officer.</p> <p>All the three (3) INEDs satisfy the independence test under the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).</p> <p>The INEDs bring independent views to the Board’s deliberation to ensure decisions are made objectively in the best interest of the Group.</p> <p>The INEDs are also of different backgrounds including legal, finance and accounting, all of which provides diverse and comprehensive perspectives and insights to Board agenda that are discussed amongst the Board members.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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
Explanation on application of the practice	:	Two (2) INEDs of the Company have served a cumulative term of more than nine (9) years. Based on recommendation of the Board and pursuant to Practice 4.2 of the Malaysian Code of Corporate Governance, continuation of Mr. Koo Hoong Kwan and Mr. Wong Yoke Nyen's position as INED be hereby recommended for the shareholders' approval at the forthcoming AGM of BHB.
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	:	Not Applicable

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board strongly views that diversity of the Board’s composition is important to facilitate optimal decision-making by harnessing different insights and perspectives. Having a diverse range of skills, background, expertise and experience are critical elements in ensuring an effective Board.</p> <p>The appointment of new Board members is considered and properly evaluated by the Nomination Committee (“NC”). Upon completing this process, the NC shall recommend the proposed appointment to the Board for its deliberation and approval.</p> <p>The Board views that the evaluation of the suitability of the candidates as Board members based on competency, experience and other qualities in meeting the needs of the Group, should remain as priority among others, for consideration.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has not established any gender diversity policy but currently has one (1) female Director on the Board.</p> <p>The Board acknowledges the recommendation of the Code on the establishment of a gender diversity policy for the Board. The Board takes the view that, for the time being, the status quo of the Board, in terms of composition and structure, can be maintained. However, the Board acknowledges that there is always room for improving diversity in ensuring continuous efficient functioning of the Board and remains open to changes as and when appropriate.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board is committed to meet the MCGG best practices and will endeavour to apply the best practices where relevant to the Company's circumstances and in the best interests of our Group.
Timeframe	:	To be determined.

Intended Outcome

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

Practice 4.6

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Currently the Board considers the appointment of new director upon the recommendation from the NC, while the Management will identify the suitable candidates for NC's recommendation. In making these recommendations, the NC will consider the skills, knowledge, expertise and experience, professionalism, integrity and in the case for the position of Independent Non-Executive Directors, their ability to discharge such responsibilities or functions as expected from INEDs.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	To be determined.

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 the NC is Mr Koo Hoong Kwan, a Senior Independent Non-Executive Director of the Company. His profile can be found in the Company's Annual Report 2019. All members of the NC of the Company are INEDS of the Company, as set out in the Terms of Reference of the NC.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board undertakes a formal and transparent process, upon completion of every financial year, to assess the effectiveness of their fellow directors, the Board as a whole by completing a detailed questionnaire (Form of Board Assessment and Evaluation).</p> <p>The NC, having deliberated the findings of the Board and individual Directors Evaluation, will report to the Board the results and highlight those matters that require further discussion and direction by the Board.</p> <p>Following the evaluation, the Board concluded that the Board as a whole and its committees is effective and the Board has the necessary skills, experiences, qualities and integrity to lead the Company and each of the Director including the Independent Directors, in their individual capacities as Independent Directors have fulfilled their responsibilities and obligations and have carried out their statutory duties and in accordance with the Board Charter of the Company.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Remuneration Committee ("RC") takes into account the corporate objectives and the performance of the Company to determine the remuneration of the Directors. In determining the remuneration of the senior management, the RC takes into account the role, skills, competency and the performance of the individual.</p> <p>The component parts of remuneration are structured so as to link reward to corporate and individual performance, in the case of EDs and INEDs. In the case of INEDs, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular INEDs concerned. INEDs receive their allowances fees, which shall be paid as follows:</p> <p>(i) monthly directors' fees allowance; and (ii) meeting allowance – for attendance at Board and Board Committees' meetings for which he is a Chairman/member.</p> <p>EDs are employees of the Company and their remuneration are contracted by their Service Agreements. The RC vets through the Service Agreements to ensure that a balance is struck between attracting and retaining the best against its interest in not paying excessive remuneration.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The RC was established by the Board to assist the Board in the adoption of fair remuneration practices to attract, retain and motivate Directors.</p> <p>The terms of reference of the RC, which are made available on the Company's website www.benalec.com.my, clearly spell out the roles and responsibilities of the committee.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	Departure
Explanation on application of the practice	:	The Executive and Non-Executive Directors' remuneration have been presented in the range / bands in order to retain the privacy of the Directors.
Explanation for departure	:	The Board is of the opinion that an overall disclosure as currently practised is sufficient for the purpose of corporate governance of the Group, taking into consideration confidentiality reasons for each of its directors.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will continue to observe and monitor the market practice and assess the suitability of adoption by the Group as and when the circumstances require.
Timeframe	:	Others

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board is of the view that such disclosure on a named basis is neither to the Group's advantage nor in its business and operation interests, given the sensitive nature of such information considering the fierce competition for talents in the market.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will closely monitor developments in the market in respect of such disclosure for future consideration.
Timeframe	:	To be determined.

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	:	The Company has decided to maintain confidentiality of the remuneration of its management team.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

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 Audit Committee (“AC”) is chaired by Mr Koo Hoong Kwan, who is not the Chairman of the Board.</p> <p>The AC comprises three (3) members who are INEDs, all of whom are equipped with the breadth of legal, financial expertise and commercial acumen for them to discharge their responsibilities and fulfil their roles as the AC members.</p> <p>Details of the composition and activities of the AC are set out in the AC Report on the Company’s Annual Report 2019.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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	:	To date, no former key audit partner has been appointed as a member of the AC.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The AC conducted an annual assessment of the suitability and independence of the external auditors, in respect of the financial period under review.</p> <p>Upon satisfactory assessment of the effectiveness of the external auditors, the AC will recommend their re-appointment and fees payable in respect of their scope of work to the Board for approval.</p> <p>The external auditors of the Group have provided written confirmation of their team's independence when presenting the audit planning memorandum as well as upon completion of the audit in accordance with the firm's requirements and the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Applied
Explanation on adoption of the practice	:	The AC comprise of three (3) members, all of whom are INEDs.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	All members of the AC have undertaken continuous professional development to keep themselves abreast of relevant developments in the accounting and auditing standards, practices and rules. Details of the training programmes attended by the AC members are set out on the Company's 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	:	<p>The Board has established a sound risk management and internal control system as well as initiate discussions to consistently review its adequacy and effectiveness.</p> <p>Further details on the Group’s risk and internal controls can be found in the Statement on Risk Management and Internal Controls in the Company’s Annual Report 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 disclosed the key features of its risk management and internal control system as well as its adequacy and effectiveness in the Statement on Risk Management and Internal Control in the Company’s 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	:	Currently the AC, which comprises of entirely Independent Directors, are primarily responsible for assessing the risks and reviewing the adequacy in ensuring an effective risk management and internal control framework that is embedded throughout the Group. Through the AC, the Board is kept informed of any issues brought to the attention of the AC by the Management, the internal audit function and the external auditors.

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 Internal Audit (“IA”) function is established by the Board to undertake independent review and assessment on the adequacy, efficiency and effectiveness of risk management framework, internal control and governance processes implemented by the Management.</p> <p>The IA reports directly to the AC. The AC approves the annual audit plan of the IA and monitors the progress of completion of the said audit plan, as disclosed in the AC report.</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 IA function is outsourced to GovernAce Advisory & Solutions Sdn. Bhd. (Company No. 1243730-W) (“GovernAce”) which is led by a director who is supported by an Internal Audit Manager and 5 Internal Audit Consultants with relevant qualifications and/or experience in internal auditing.</p> <p>GovernAce’s engagement director in charge of the Group’s IA is Mr Ryan Chong Chee Seng, who is a Certified Internal Auditor (“CIA”) of The Institute of Internal Auditors Inc., Certified Practising Accountant with CPA Australia, a Chartered Member of Institute of Internal Auditor Malaysia (“CMIIA”) and Accountant registered with Malaysian Institute of Accountants (“MIA”) with more than fifteen (15) years of international and local audit experience.</p> <p>The IA function is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance to the ARMC that such systems continue to operate satisfactorily and effectively in the Group.</p> <p>None of the IA personnel has any relationships or conflict of interest that could impair their objectivity and independence in conducting their IA function.</p> <p>The IA practiced were guided by the International Professional Practices Framework (“IPPF”) issued by the Institute of Internal Auditor.</p> <p>During the financial period from 1 July 2018 to ended 31 December 2019, the IA of the Group was carried out in accordance with a risk-based audit plan approved by AC.</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 :		

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

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 need for the Company's stakeholders to be kept informed of the material business and corporate developments concerning the Group in a timely manner.</p> <p>The various channels of include:</p> <ul style="list-style-type: none"> (i) Quarterly announcements of the Group's financial results to Bursa Malaysia; (ii) Relevant announcements, circulars and/or press release pertaining to any new corporate proposal the Group intends to undertake (as and when necessary); (iii) Annual and Extraordinary General Meetings of the Group; (iv) Regular dialogues between the Management and institutional shareholders, investment communities, financial analysts as well as the media; and (v) The Group's website at www.benalec.com.my is regularly updated so that shareholders and prospective investors can access corporate information, media releases, financial reports, company announcements and share price movements of the Company. <p>To maintain a high level of transparency and to effectively address any issues or concerns, the Company has a dedicated electronic mail platform, i.e. ir@benalec.com.my for stakeholder to direct any of their queries or concerns which will be responded promptly by representatives of the Company.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is of the view that the current reporting in the Annual Report 2019 has provided the financial and non-financial information in a fairly comprehensive manner to the shareholders and stakeholders.</p> <p>Currently, the information disclosed in the Annual Report 2019 of the Company is in line with the fundamental elements which underpin integrated reporting and include the Company's strategy, governance, performance and prospects.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will consider adoption of the integrated reporting at an appropriate time in future based on a globally well received framework.
Timeframe	:	To be determined

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has a practice of dispatching the notice of its Annual General Meeting (“AGM”) to shareholders at least 28 days before the AGM, in advance of the 21 days requirement under the Companies Act 2016 and MMLR of Bursa Securities.</p> <p>The notes to the Notice of AGM would provide detailed explanations for each resolution proposed, to provide clarity and enable the shareholders in making informed decisions when exercising their voting rights at the AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors will attend General Meetings and will take any relevant questions addressed to them unless unforeseen circumstances preclude them from attending General Meetings.</p> <p>The Chairman of the Audit, Nomination, Remuneration, and other committees are typically present on stage to address any questions from shareholders in respect of matters that fall under the purview of the Board Committees.</p> <p>In addition to the above, members of the Senior Management and external auditors of the Company have also attended and will continue to attend the AGM to respond to the shareholders' queries.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Company has yet to facilitate voting in absentia and remote participation by shareholders at General Meetings. Currently, Resolutions passed during the General Meetings were arrived via e-polling to enable the shareholders to cast their votes. The appointed Poll Administrator was appointed to conduct the polling process. Nevertheless, the Board will continue to monitor developments in the market in respect of new technologies to facilitate the conduct of meetings remotely and may consider implementing the same in the future should there be a strong case for change.</p> <p>As an alternative to the recommended practice, shareholders who are unable to attend General Meetings may, in accordance with the Articles, appoint their respective proxies to vote on their behalf at all general meetings of the Company.</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	:	The Company will explore the appropriate measures to facilitate greater participation by shareholders in the Company's General Meetings by leveraging on technology.
Timeframe	:	To be determined.

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.

Click here to enter text.