

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7036
COMPANY NAME : BORNEO OIL BERHAD
FINANCIAL YEAR : 30 JUNE 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Group continues to be led and managed by an effective, active and experienced Board which ensures that the interest of the shareholders and stakeholders are protected by setting out the Group's values and standards.</p> <p>The Board plays a pivotal role in the stewardship of the Group's direction and operations, including enhancing long-term shareholder value. In order to fulfill this role, the Board is explicitly responsible for reviewing and adopting the Group's strategic plans, overseeing the conduct of the business operations of the Group, reviewing adequacy of the internal control, identifying principal risks and ensuring that the risks are properly managed, establishing a succession plan, developing and implementing a shareholders communications policy, reviewing management information and internal control system of the Group and promote good Corporate Governance culture within the Group which reinforces ethical, prudent and professional behaviour.</p> <p>Roles and Responsibilities of the Board includes:</p> <ul style="list-style-type: none">(i) Identifying principal risks and ensuring the implementation of appropriate internal controls and risk management measures;(ii) Reviewing and adopting the Company's strategic plans;(iii) Overseeing the conduct of the Company's business;(iv) Succession Planning;(v) Overseeing the development and implementation of an investors communication policy for the Company; and(vi) Reviewing the adequacy and integrity of management information and internal control system of the Company.
Explanation for departure	:	N/A

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

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 Tan Kok Chor is the Independent Non-Executive Chairman of the Company. His profile is reflected in the accompanying Annual Report 2020. He ensures the Board functioned effectively with good corporate governance under his leadership.</p> <p>Being the Chairman of the Board, he is also an independent Non-Executive Director with over four decades of experience in the commercial, legal and administrative fields. He holds various directorships in several other private limited companies incorporated in Malaysia which enable him to provide the Board with a diverse set of experience, expertise and skills to better manage and run the Group.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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	:	Departure	
Explanation on application of the practice	:	The Company presently has a Chairman but does not have a CEO. However, the Group shall comply with the MCCG 2017 in respect of separation of role between Chairman and CEO (if any).	
Explanation for departure	:	The present structure of the Board is deemed adequate for the effective discharge of their required responsibilities. The Board will consider the appointment of a CEO if necessary in the future.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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 suitable 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 are Ms Chin Siew Kim and Ms Andrea Huong Jia Mei. They are both qualified to act as company secretaries under section 235 of the Companies Act 2016.</p> <p>The Company Secretaries are responsible for advising the Board on issues relating to compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practice of governance. The Directors are regularly updated by the Company Secretaries on new statutory as well as regulatory requirements relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.</p> <p>The Company Secretary's roles include:</p> <ul style="list-style-type: none">(i) Managing all Board and Committees' meeting logistics. Attending all Board meetings and ensuring that the minutes of all Board and Committees' meetings are properly recorded and kept;(ii) Advising the Board on fulfilling the fiduciary roles and responsibilities in shaping the corporate direction of the Company;(iii) Assisting the Company to ensure that the processes and proceedings of the Annual General Meeting are managed properly;(iv) Facilitating Board communications and ensuring that the deliberations performed at Board and Committees' meeting are properly conveyed to the relevant Management Personnel for further actions;(v) Monitoring the development in Corporate Governance and assisting the Board to apply governance practices to meet the Board's needs and stakeholders' expectations; and(vi) Advising the Board on issues relating to compliance with provisions of MMLR of Bursa Securities, the Companies Act, 2016 and other relevant laws, rules, procedures and regulations affecting the Board and the Group.
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:	N/A	
Timeframe	:	N/A	

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 Directors have full and unrestricted access to the Group's information. The Board meets on a quarterly basis and additionally as and when required.</p> <p>All Directors are provided with an agenda and a set of board papers together with previous minutes and other relevant information issued at a reasonable period from the date of Board Meetings so as to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary.</p> <p>The Board papers which contain all relevant information and minutes of meetings enable the Board members to make informative decisions. Where necessary, senior management staff may be invited to attend the Board meetings for their comments and ideas on the relevant matters discussed.</p> <p>The Directors review and approve all corporate announcements, including the announcement of the quarterly report, prior to releasing them to Bursa Malaysia Securities Berhad.</p> <p>Where necessary, the Directors engage independent professional for advice at the Group's expense to enable them to discharge their duties with full knowledge of the cause and effect.</p>
Explanation for departure	:	N/A
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:	N/A	
Timeframe	:	N/A	

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	:	The Board has in place a Board Charter which demarcates the responsibilities between the Board, Board Committee, Chairman, Independent Non-Executive and Executive Directors and Company Secretary which is periodically reviewed and published on the company's website.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has an established Code of Conduct and Ethics ("the Code") which is implemented throughout the Group which dictates the ethics and standard of good conduct which is expected from every Executive Director and employees. The Code provides the framework for all directors and employees. Failure to comply with the Code may result in the commencement of disciplinary actions that may lead to termination of employment and/or appointment.</p> <p>The Code covers areas such as compliance with the law, professional integrity, accurate and complete accounting, bribes, gifts and entertainment, conflicts of interest, the act of diverting, confidentiality and protection of company assets, political and charitable contributions, as well as occupational health, safety and environmental activities.</p> <p>The Code of Conduct and Ethics is published on the company's website.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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 whistle blowing.

Application	:	Applied	
Explanation on application of the practice	:	The Board provides a safe and confidential avenue for all employees of the Group and members of the public to raise concerns on any poor or unacceptable practice and misconduct. The whistle blowers are reassured that they will be protected from detrimental action or unfair treatment for disclosing concerns in good faith. The whistle blowing policy provides an avenue to encourage employees and stakeholders to raise genuine concerns about unethical behaviours, illegal activities, malpractices and/or failure in compliance with legal or regularity requirements at workplace.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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	:	As at FYE 30.6.2020, the Board comprises of six (6) members, out of which three (3) are Independent Non-Executive Directors. It fulfills the prescribed requirement for at least 1/3 of the board comprises of independent directors as stated in Chapter 15.02 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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 – Two Tier voting	
Explanation on application of the practice	:	<p>The Company recognizes the MCCG’s recommendation that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, the Independent Director may continue to serve on the Board as an Independent Director subject to assessment by the Board and shareholders’ approval at the general meeting.</p> <p>MCCG 2017 recommended that if the Board intends to retain an independent Director after the twelfth (12) years, the Board should seek annual shareholders’ approval through a two-tier voting process.</p> <p>Both of the Independent Directors, Mr Tan Kok Chor and Mr Michael Moo Kai Wah had served beyond twelfth (12) years as Independent Non-Executive Directors. Therefore, the Company shall be seeking the shareholders’ approval via two-tier voting process at the forthcoming 36th Annual General Meeting.</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

Practice 4.3 – Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	In selecting a suitable candidate, the Nomination Committee is responsible for making recommendations to the Board for the re-election and re-appointment of Directors who retire by rotation. This recommendation is based on formal reviews on the performance of Directors, taking into consideration the Board competency matrix and the Directors' contribution to the Board through their knowledge and commitments, experiences, level of independence and ability to act in the best interest of the Group in decision making	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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 acknowledged the call by the Government and MCCG for Boards of large companies to comprise at least 30% women on Board.</p> <p>However, the Board has yet to adopt a gender diversity policy. The Board does not consider gender as a barrier of board membership. Nevertheless, the Board will continue to assess and review the needs to adopt this policy from time to time.</p>	
		<p>The Board will take the necessary steps to reflect the Company's commitment towards gender diversity.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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 utilizes independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	<p>The procedures for appointment to the Board are formal and transparent. The candidate is identified not just through the recommendation of the existing board members, senior management and shareholders but also from independent third party referrals.</p> <p>In identifying candidates for appointment to the Board, certain factors are taken into consideration their mix of skills, experience and strength that would be relevant for the effective discharge of the Board's responsibilities.</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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	:	<p>The Nomination Committee ("NC") is made up entirely of Non-Executive Directors, of whom all 3 Directors are independent.</p> <p>The committee is chaired by Mr Seroop Singh Ramday, a Senior Independent Non-Executive Director.</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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 evaluation of the effectiveness of the Board, Board Committees as well as individual Directors including Independent Director was conducted in-house under the purview of the NC and facilitated by the Company Secretary.</p> <p>The evaluation criteria for the Board, Board Committees and individual Directors are primarily anchored on regulatory enumerations and emerging best practices of MCCG as the method of evaluation.</p>	
Explanation for departure	:	N/A	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Directors and senior management’s remuneration is formulated to be competitive and realistic with the aim to attract, motivate and retain their relevant experience, expertise and quality needed to assist in managing the Group effectively.</p> <p>The remuneration of the Executive Directors are reviewed and recommended by the Remuneration Committee to the Board for approval, taking into account the individual performance, economic conditions, the inflation price index, achievement of budget and information from independent sources on the rates of salary for similar positions in other comparable companies.</p>	
Explanation for departure	:	N/A	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	N/A	
Timeframe	:	N/A	

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	:	In line with the best practices of MCCG, the Board has set up a Remuneration Committee comprising all three (3) Independent Non-Executive Directors and is chaired by the Senior Independent Non-Executive Director, Mr Seroop Singh Ramday. The Remuneration Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The detailed disclosure of each Director’s remuneration for the financial year from 1 July 2019 to 30 June 2020 are set out in the Corporate Governance Overview Statement of the Annual Report 2020.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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	:	N/A	
Explanation for departure	:	The Board is of the view that it is not to the Company's advantage or best business interest to disclose the detailed remuneration of its Senior Management on a name basis considering the competitive nature of the industry within which we operate and the sensitivities associated with such disclosure. The confidentiality of such information is also crucial for the Group in managing our talent bench effectively.	
		As an alternative to the recommended practice, the Board has opted to disclose the number of key management personnel whose aggregate remuneration for the financial year ended 30th June 2020 as follows:	
		Range of Remuneration	Number of Key Management Personnel
		RM100,000 to RM 150,000	2
	RM150,001 to RM 200,000	1	
	RM200,001 to RM 250,000	-	
	RM250,001 to RM 300,000	1	
	RM300,001 to RM 350,000	-	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	N/A	
Timeframe	:	N/A	

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	:	Departure
Explanation on departure of the practice	:	The Board discloses on a named basis of the top five senior management's aggregate remuneration in bands of RM50,000 as per Practice 7.2.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee is Mr Michael Moo Kai Wah, an Independent Non-Executive Director. The Chairman of the Board is Mr Tan Kok Chor, who is also an Independent Non-Executive Director.	
Explanation for departure	:	N/A	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	N/A	
Timeframe	:	N/A	

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	:		
Explanation for departure	:	The Company does not have any precedent or intention to appoint a former auditor as member of the Audit Committee. Therefore, no such policy was implemented for the time being.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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 primary function of the Audit Committee is to assist the Board in its responsibility to ensure that the financial statements of the Group are prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) and other applicable accounting standards as well as to review the adequacy and effectiveness of internal control systems of the Group.</p> <p>The Audit Committee ensures that the external auditor are independent of the activities it audits and reviews the contracts for the provision of non-audit services by the external auditors and ensures it does not give rise to conflict of interest.</p> <p>The external auditor have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 – Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprise solely of three (3) independent non-executive directors. None of them are alternate directors.

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 qualification and experience of the individual Audit Committee members are disclosed in the profile of the Directors of the Annual Report 2020.</p> <p>During the financial year ended 30.6.2020, all members of the Audit Committee had undertaken the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to effectively discharge their duties.</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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 is updated on the Group's internal control system which encompasses risk management practices as well as financial, operational and compliance controls on a quarterly basis. Ongoing reviews are performed throughout the year on quarterly basis to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. Such continuous review processes are conducted by the Group's independent and sufficiently resourced internal audit function as well as the Company's management team.</p> <p>The Board is also committed to maintaining and reviewing the adequacy and integrity of the internal control system that would provide reasonable assurance in monitoring the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.</p>	
Explanation for departure	:	N/A	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	N/A	
Timeframe	:	N/A	

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	:	Information on the features of its risk management and internal control framework and the adequacy and effectiveness of this framework are set out in the Statement on Risk Management and Internal Control of the Annual Report 2020.	
Explanation for departure	:	N/A	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

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

Practice 9.3 – Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board acknowledges the importance of good practice of corporate governance and is committed to maintaining a sound system of internal control and for reviewing its effectiveness, adequacy and integrity.</p> <p>In view of the limitations that are inherent in any internal control system, the Group's system of internal control can only minimize the risk of failure to achieve the policies, goals and business objectives of the Group. It can therefore only provide reasonable and not absolute assurance against material misstatement, financial losses, fraud or breach of any laws/regulations.</p>

Intended Outcome

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

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is fully aware of the importance of the internal audit functions and has engaged an independent professional firm to provide independent assurance to the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.</p> <p>The internal audit adopts a risk based approach and prepares its audit plan based on the risk profiles from the risk assessment of the Group. Scheduled internal audits are carried out based on the annual audit plan approved by the Audit Committee. The internal audit reports are presented in the Audit Committee meetings accordingly.</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

Practice 10.2

The board should disclose –

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The internal audit function was outsourced to an independent professional firm and free from any relationships or conflicts of interest, which would impair their objectivity and independence. The appointment of the internal auditors was reviewed by the Audit Committee prior to their appointment.</p> <p>The appointed internal audit firm, Valens Consult Services Sdn Bhd provides the technical expertise and resources and carried out the audit function in accordance with a recognised framework as disclose on the Statement on Risk Management and Internal Control.</p>	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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 endeavors to provide timely and accurate disclosure of all material information of the Group to the shareholders and investors. Information is disseminated through various disclosures and announcements made to Bursa Securities which includes the quarterly financial results, audited financial statements and Annual Reports.</p> <p>This information is also electronically published on Bursa Securities and the Company's corporate website at http://www.bursamalaysia.com and at www.borneo-oil.com.my respectively which is accessible by the public as well.</p> <p>The Board adheres strictly to Bursa Securities disclosure framework to provide investors and the public with accurate and complete information on a timely basis and not merely to meet the minimum regulatory requirements for disclosure. The Board ensures that confidential information is handled properly by authorized personnel to avoid leakage and improper use of such information. The Board is also mindful that information which is expected to be material must be announced immediately.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

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	:	Applied	
Explanation on application of the practice	:	The Annual Report 2020 has been prepared in accordance with the Main Market Listing Requirements (“MMLR”). Corporate Governance Overview Statement, Sustainability Statement and Corporate Social Responsibility Statement were provided in the Annual Report to enhance reporting connectivity while providing stakeholders with a more holistic view of how the Company creates and sustains value.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Notice convening a meeting shall be given to all Members/shareholders at least 14 days before the meeting, or at least 21 days before the meeting where any Special Resolution is to be proposed or where it is an Annual General Meeting. (Clause 71 of the Company's Constitution). This is to ensure that shareholders have adequate time to consider the resolutions that will be discussed at the AGM.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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	:	The Board uses the AGM to communicate with investors and encourages their participation either via Virtual meeting or physical meeting. Shareholders are invited to attend the AGM each year and to ask questions on any of the resolutions proposed. The Chairman and Directors are to be present at the general meeting to address any stakeholder concerns on matters relating to the functions and activities under the purview of their respective Committees.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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	:	Applied	
Explanation on application of the practice	:	N/A	
Explanation for departure	:	The Company does not have meetings in remote locations. The use of technology to facilitate electronic voting will be implemented for this 36 th Annual General Meeting due to the COVID-19 pandemic. This is to encourage remote shareholders' participation while ensuring safe distancing measures are followed to suppress the spread of COVID-19.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

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.