

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7036
COMPANY NAME : Borneo Oil Berhad (the “Company” or the “Group”)
FINANCIAL YEAR : June 30, 2021

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is collectively responsible for the long-term success of the Company and the delivery of sustainable value to its stakeholders. To ensure the effective discharge of the Board's functions and responsibilities, the Board has in place the Board Charter and has established Board Committees with clear Terms of Reference.</p> <p>The Board is guided by its Board Charter, which lays out its roles and responsibilities in, among others, reviewing and adopting the Group's strategic plans, overseeing the conduct of the business operations of the Group, reviewing the 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 include:</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; andvi. Reviewing the adequacy and integrity of management information and internal control system of the Company.
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

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The role of the Chairman of the Board is set out in the Board Charter. The Chairman provides leadership to the Board, champions good governance and sets the tone of governance for the Board, maintains the Board's focus towards its goals during or outside board meetings, and insightful current issues within and outside the industry.</p> <p>Mr Tan Kok Chor is the Independent Non-Executive Chairman of the Company. His profile is reflected in the accompanying Annual Report 2021. He ensures the Board functioned effectively with good corporate governance under his leadership. Being the Chairman of the Board, he is also an independent Non-Executive Director and has experience in commercial, legal and administrative matters. He held various directorships in several other private limited companies incorporated in Malaysia.</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	:	Applied	
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 2021 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 suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretaries 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 experienced, competent and knowledgeable, and play an essential role in advising the Board on corporate compliance with the relevant laws, rules, procedures, and regulations affecting the Board and the Group and best practices of governance and corporate disclosures. The roles and responsibilities of the Company Secretary are stipulated in the Board Charter.</p> <p>The Directors have unrestricted access to the advice and services of the Company Secretaries. The Board is regularly kept up to date of any relevant legislation, regulations and guidelines, as well as any amendments thereto issued by Bursa Malaysia Securities Berhad (Bursa Securities), Securities Commission Malaysia and other relevant regulatory authorities, including recommendations on corporate law reform in Malaysia as well as applicable foreign jurisdictions, particularly the effects of such new or amended legislation, regulations and guidelines on the directors specifically and the Group generally.</p> <p>The Company Secretaries ensure that the board and board committees' decisions are correctly documented and relayed to Management to act upon in a timely manner. The Company Secretaries are also responsible for, among others, the operation of the secretariat function, including lodgements with relevant statutory and regulatory bodies, the administration of Board and Board Committee meetings (including preparation of the minutes, matters arising and Board Committee Chairman's reports), managing processes pertaining to the Company's general meetings, and assisting the Board in applying the latest corporate governance practices to meet the Board's needs and stakeholders' expectations.</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

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors are 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 to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary.</p> <p>Directors are allowed to participate in Board or Board Committee meetings via electronic means. During the financial year, the Board and Board Committee meetings mainly were held via electronic means in view of the travel restrictions and closed international borders by various governments to curb the COVID-19 pandemic. All deliberations and decisions made at Board or Board Committee meetings, including dissenting views and whether any Director abstained from voting or deliberating on a particular matter, are duly minuted as records of their proceedings.</p> <p>The Board papers contain all relevant information, and the 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>Draft Minutes of the meetings are typically circulated to the Directors within 14 days after each meeting for review.</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 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 that demarcates the responsibilities between the Board, Board Committee, Chairman, Independent Non-Executive Director, Executive Director and Company Secretary according to the principles of good corporate governance as stipulated in the policy documents and guidelines issued by the relevant regulatory authorities. The Board Charter is published on the Company's website. Board Charter.pdf (borneo-oil.com.my)	
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 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") implemented throughout the Group, which dictates the ethics and standard of good conduct expected from every director and employee. 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. Code of Conduct and Ethics.pdf (borneo-oil.com.my)</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 whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>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 whistleblowing 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.</p> <p>The Company is committed to treating all such disclosures confidentially and sensitively. The whistle-blower's identity shall be kept confidential unless prior written consent of the whistle-blower has been obtained for such disclosure or if required by law or any regulatory authorities.</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 4.1

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>As stated in the Board Charter, Board composition shall comprise of at least two directors or one-third of the Board of Directors, whichever is the higher, who are Independent Non-Executive Directors (INED).</p> <p>As at the end of the financial year, the Board comprises six (6) members, out of which three (3) are INEDs. It fulfils the prescribed requirement for at least one-third of the board comprised of independent directors as stated in Chapter 15.02 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad.</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 4.2

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 recognises the MCCG’s recommendation that the tenure of an independent director should not exceed a cumulative term limit of the 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 2021 recommended that after serving for nine years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain the independent director beyond the nine years, the board should provide justification and 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, served beyond nine (9) years as Independent Non-Executive Directors. Therefore, the Company shall be seeking the shareholders’ approval via a two-tier voting process at the forthcoming 37th 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	:	N/A

Intended Outcome

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

Practice 4.4

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 Company sets out the approach to diversity on the Board, including gender, age, cultural background and ethnic diversity. However, the Board is committed to further enhancing skillset, experience, gender, age and cultural background diversity regarding its composition. The Board does not specify a set target for boardroom diversity as the appointment of Board members should be based on objective criteria, merit, and due regard for diversity.</p> <p>In selecting a suitable candidate, the Nomination Committee is responsible for making recommendations to the Board for the re-election 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.</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 4.5

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	:	N/A	
Explanation for departure	:	The Board does not specify a target for boardroom gender diversity. In ensuring Board diversity, the Board aims to achieve synergies of thinking through diverse cultures, experience, skills, etc. Rather than just in terms of gender, the appointment of Board members should be based on objective criteria, merit, and due regard for diversity.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Nevertheless, the Board will continue to assess and review the needs to work towards having at least 30% women representation on the Board depending on the availability of suitable candidates.	
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 utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has adopted the Policy on Nomination and Assessment Process of Board Members which sets out the process and requirements to be undertaken by the Nomination Committee (NC) and Board in discharging their responsibilities in terms of nomination, assessment and re-election of the Board members.</p> <p>The procedures for appointment to the Board are formal and transparent. The candidate is identified through the recommendation of the existing board members, senior management, shareholders and from independent third-party referrals.</p> <p>In identifying candidates for appointment to the Board, certain factors are taken into consideration on 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	:	The Nomination Committee is made up entirely of Non-Executive Directors, of whom all 3 Directors are independent. The Committee is chaired by Mr Seroop Singh Ramday, Senior 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

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, and individual directors, including the Independent Director, was conducted in-house under the purview of the Nomination Committee (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 evaluation method.</p> <p>The Board also assessed the independence of Independent Directors in respect of the financial year under review, which was carried out internally, facilitated by the Company Secretaries. Based on the overall assessments conducted for the financial year under review, the Board is satisfied that the Company's Independent Directors are independent of the management and free from any business or other relationships that could interfere with independent judgment.</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 Group's policy on Directors' and Senior Management's remuneration establishes formal and transparent procedures for determining remuneration of Directors and Senior Management in a manner that will attract and retain Senior Management talent, align their interests with the interests of shareholders and drive the Company's long-term objectives.</p> <p>The remuneration of the Executive Directors is 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
<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 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>In line with the best practices of MCCG, the Board has set up a Remuneration Committee (RC) comprising all three (3) Independent Non-Executive Directors and is chaired by the Senior Independent Non-Executive Director, Mr Seroop Singh Ramday.</p> <p>The summary of key activities undertaken by the RC during the financial year under review was disclosed in the RC Report in the Company's Annual Report 2021.</p> <p>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. www.borneo-oil.com.my</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 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 under review was disclosed on named basis in the Corporate Governance Overview Statement of the Company’s Annual Report 2021.	
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 Senior Management whose aggregate remuneration for the financial year under review was disclosed in the Corporate Governance Overview Statement of the Company's Annual Report 2021.
<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 monitor the market practice in respect of such disclosure for future consideration.
Timeframe	:	Not disclosing for the time being

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	:	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 8.1

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	:	The Company does not have any precedent or intention to appoint a former auditor as a member of the Audit Committee. Therefore, no such policy was implemented for the time being.	
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 8.3

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 auditors are independent of the activities it audits and reviews the contracts for the provision of non-audit services by the external auditors to ensure that the independence and objectivity of the external auditors are not compromised. This annual review and assessment cover areas such as calibre of the external audit firm, independence and objectivity, quality of the processes / performance, audit team, audit scope and planning, audit fees, audit communications and resources supported by the assessment conducted by relevant management members.</p> <p>The external auditors 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	:	<p>The Audit Committee comprises solely of three (3) Independent Non-Executive Directors.</p> <ol style="list-style-type: none">1) Michael Moo Kai Wah – Chairman;2) Tan Kok Chor – Member; and3) Seroop Singh Ramday – Member. <p>None of them is an alternate director</p>

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 2021.</p> <p>During the financial year under review, 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 discharge their duties effectively.</p> <p>The training programmes attended by the AC members during the financial year under review are provided in the Corporate Governance Overview Statement of the Company's Annual Report 2021.</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. It maintains oversight of all identifiable risks within the Group to ensure that the policies and procedures on risks and internal controls are implemented in accordance with the Group's business objectives. The Board is also committed in 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> <p>The Risk Management Committee evaluates the risk management policies formulated by Management and the effectiveness of the mechanisms set in place to identify, evaluate and mitigate risk. It then makes the necessary risk-related recommendations to the Board for consideration and approval. The Risk Management Committee is also responsible for ensuring that the appropriate systems are in place to identify and highlight areas of potential business or operational risk to 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

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 2021.	
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	:	The Risk Management Committee comprises solely of three (3) Independent Non-Executive Directors, as follows: 1) Michael Moo Kai Wah – Chairman; 2) Tan Kok Chor – Member; and 3) Seroop Singh Ramday – Member.

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 issued and reviewed by the Audit Committee members during the year.</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 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 Audit Committee reviewed the appointment of the internal auditors prior to their engagement.</p> <p>The appointed internal audit firm, Valens Consult Services Sdn Bhd, provides the technical expertise and resources and carries out the audit function according to a recognised framework as disclosed 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 Company has a dedicated Investor Relation ("IR") Information link on our website, which maintains regular dialogue with all its stakeholders, including key institutional investors and analysts, and answer queries from shareholders.</p> <p>The Board endeavours 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, including 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 are 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. The Board ensures that authorised personnel handle confidential information to avoid leakage and improper use of such information. The Board is also mindful that information that 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 2021 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	
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

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>Under the Companies Act 2016 and the Listing Requirements of Bursa Malaysia, an AGM should be called by giving at least 21 days' notice of the meeting. Nevertheless, our Board will at least provide for a 28 days' notice period for its 2021 AGM because we believe it is beneficial to our shareholders as they will get sufficient time to make an informed decision regarding the AGM business agenda and make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys.</p> <p>The AGM Notice also includes an AGM Guide, which provides useful information to shareholders regarding the details of the AGM, shareholders' entitlement to attend the AGM, their rights to appoint a proxy or representative and the voting procedures. Relevant explanatory notes for the resolutions proposed are also included in the AGM Notice to assist our shareholders to have a better understanding and evaluation of the issues involved to enable them to make informed decisions in exercising their voting rights.</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

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 and participate virtually at the Company's general meetings unless unforeseen circumstances prevent them from doing so.</p> <p>Shareholders are invited to attend the AGM each year and ask questions on any resolutions proposed. The Chairman and Directors are present at the general meeting to address any stakeholder concern on matters relating to the functions and activities under the purview of their respective Committees.</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

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	:	<p>The Company does not have meetings in remote locations. In support of the Government of Malaysia’s ongoing efforts to contain the spread of the COVID-19, the use of technology to facilitate electronic voting will be implemented for this 37th Annual General Meeting to suppress the spread of the virus.</p> <p>A fully virtual through electronic live streaming and online remote voting has been adopted to conduct the fully virtual 37th AGM. To facilitate the virtual 37th AGM, administrative details had been distributed to all the shareholders guiding them on the appointment of proxy/proxies, registration for remote participation and electronic voting, participation through live webcast and posing questions, and remote voting procedures at the virtual 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	

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

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

Not Applicable
