

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7036
COMPANY NAME : Borneo Oil Berhad
FINANCIAL PERIOD : 1st February 2017 to 30th June 2018

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 continues to lead and manages the Group in an effective and responsible manner to fulfil its primary responsibility to shareholders for the welfare of the Company. The diversified skills, leadership and experience offered by the Independent Non-executive Directors enables them to scrutinise performance, assess the Group's strategic direction, establishing goals for management and monitoring the achievement of those goals and addressing the sustainability of the Group's business.</p> <p>In discharging its functions and responsibilities, the Board has conducted regular review of the Group's business operations and performances, risk assessment and to ensure that effective controls and systems are in place to measure and manage business risks.</p> <p>During the year, the Board had carried out its corporate governance practices in particularly with reference to the following key principles:-</p> <ul style="list-style-type: none">• Establish clear roles and responsibilities of the Board and management;• Strengthen composition of the Board;• Reinforce independence of the Board;• Foster commitment of Directors;• Uphold integrity in financial reporting;• Recognise and manage risks;• Ensure timely and high quality disclosure; and• Strengthen relationship between Company and shareholders.

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>The Chairman of the Board, who is also an independent Non-Executive Director is primarily responsible for the orderly conduct and effective running of the Board.</p> <p>Mr. Tan Kok Chor takes on the role of Independent Non-Executive Chairman of the Group. Over the years, he has accumulated vast experience in various sectors including properties management and real estate development. The Board is confident he will be able to show leadership, entrepreneurship skills, business insight as well as instilling sound corporate governance practices in the best interests of the Group. He also communicates regularly with management and other Board Committee members.</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	:	N/A	
Explanation on application of the practice	:	The Company does not have a CEO. However, the Group continues to comply with the MCCG 2017 in respect of separation of role between Chairman and Group CEO (if any).	
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 1.4

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 Board is supported by two qualified and competent Company Secretaries in discharging their roles and responsibilities as entrusted. The Company Secretaries provide unhindered advice and assist the Board and Committees in achieving good corporate governance by ensuring compliance to statutory laws, legislation, regulatory requirements and other relevant rules and regulations.</p> <p>The Company Secretaries shall also maintain proper statutory records, register and documents for the Group which are essential to assist the Board to achieve, meet and discharge their fiduciary responsibilities in accordance with good corporate governance practice. In addition, the Company Secretaries are also responsible in ensuring proper conduct at the Annual General Meetings, Extraordinary General Meetings, Board Committee Meetings and any other meetings and the preparation of minutes thereof.</p> <p>All Directors have full access to the advice and services of the Company Secretaries who are responsible to the Board for ensuring the Board procedures are complied with.</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 1.5

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 are provided with sufficient information and meeting materials on a timely manner for Board discussions and meetings. This ensures Board members having adequate time for thorough deliberation of key issues.</p> <p>The deliberations and decision of the Board are recorded in the minutes of meetings and the process for recording non-attendance by Directors on a particular matter, is in place. The minutes are circulated to the Board members on a timely manner.</p> <p>All Directors are entitled to obtain independent professional advice, if necessary at the Group's expenses from time to time in performing their duties. All Directors also have full unrestricted access to any information pertaining to the listed issues.</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	:	<p>The Board has in place a Board Charter which demarcates the responsibilities between Board, Board Committee, Chairman, Independent Non-Executive and Executive Directors and Company Secretary. This is however not published in any website.</p> <p>The Board comprises of members from various professions and specialisation in various fields including property development, management, marketing, administration, finance and accounting. This well-balanced pool of expertise contributes towards making the Board effective and competent in discharging their duties and responsibilities.</p> <p>The Board shall review the said Charter periodically and any amendments/improvements shall be made thereto as and when the Board deems appropriate and necessary. Any subsequent amendments shall be approved by the Board.</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 3.1

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 delegates to the Chairman who is supported by the Executive Management team, implements the Company's strategic plan, policies and decision adopted by the Board to achieve the Group's objective of creating long-term value for its shareholders through excelling in customer service and providing sustainable community, reputation and environment impact.</p> <p>The Independent Directors are required to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement taking into account the interest, not only of the Company but also of shareholders, employees, customers and communities in which the Company conducts business.</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 policy will help to deter misconduct and promote standards of good corporate practices.	
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	:	The Board for the financial period under review has five (5) members comprising three (3) Independent Non-Executive Directors (one (1) being the Non-Executive Chairman) and two (2) Executive Directors which fulfill the prescribed requirement for a minimum of 2 directors or 1/3 of the Board to be independent as stated in Chapter 15.02 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad, as well as the requirement for a director who is a member of the Malaysian Institute of Accountants (MIA) to sit in the Audit Committee.	
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
Explanation on application of the practice	:	The Board has two (2) Independent Directors who have been holding Directorship for more than 9 years. All procedures are complied with.
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	:	N/A
Explanation on adoption of the practice	:	<p>There is no strict policy adopted to restrict the Independent Directors to hold office for up to nine (9) years limit. The current Independent Directors have shown to consistently exercise their functions effectively by providing their views and advice in the Company and therefore continue to be retained as Independent Directors. However their re-appointment and re-election in the Board are sought through in every AGM.</p> <p>Board decisions have always been made in the best interests of the company taking into account their diverse perspectives and insights.</p>

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the recommendation of the MCCG 2017 on the establishment of a gender diversity policy for the Board. The Group adheres to the practice of non-discrimination of any form, whether based on age, gender, race or religion, throughout the Group. This includes the selection of Board members.</p> <p>The Company believes in, and provides equal opportunity to candidates with merit. The Group is of the view that the suitability of a candidate for the Board is dependent on the candidate's skills, expertise, experience, character, time commitment, integrity and other qualities in meeting the needs of the Company, regardless of gender.</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	:	N/A	
Explanation on application of the practice	:	The Board believes that the appointment of board members regardless of gender should be based on experience, character, integrity and competence as these are the essential criteria for an effective board. The Group adheres to the practice of non-discrimination of any form, whether based on age, gender, race or religion.	
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 4.6

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 procedures for appointments to the Board are formal and transparent.</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> <p>Potential candidates are evaluated based on their respective character, integrity, professionalism, independence and also their ability to commit sufficient time and energy to the Company's matters.</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 Nominations Committee ("NC"), comprises of 3 Independent Non-Executive Directors, chaired by the Senior Independent Non-Executive Director.	
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	:	The Board acknowledges the need to perform annual assessment of Board Committee and individual Director's performance. The effectiveness of the Board is assessed in the areas of the Board's responsibilities and composition, administration and conduct of meetings, communication and interaction with management and stakeholders and board engagement.	
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 6.1

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

Application	:	Applied	
Explanation on application of the practice	:	The 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.	
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>The Remuneration Committee ("RC") comprises of three (3) Independent Non-Executive Directors and is chaired by the Senior Independent Non-Executive Director.</p> <p>The RC discuss matters within its term of reference as follows:</p> <ul style="list-style-type: none">(a) review and recommend the entire individual remuneration packages for each of the Directors and key management of the Group;(b) ensure that a strong link is maintained between the level of remuneration and individual performance against agreed targets, the performance-related elements of remuneration forming a significant proportion of the total remuneration package of the Directors and key management of the Group; and(c) establish and recommend to the Board of Directors of the Group the remuneration structure and policy and the terms of employment or contract of employment/service, any benefit, pension or incentive scheme entitlement; other bonuses, fees and expenses; any compensation payable on the termination of the service for other key management staff if applicable.
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>		

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

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 breakdown details of each Director's remuneration for the financial period from 1 February 2017 to 30 June 2018 are set out in item 3 of the Corporate Governance Overview Statement.	
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 Group does not comply with the recommendations to disclose on named basis the top five senior management's remuneration in bands of RM50,000 in order to preserve confidentiality.													
		As an alternative to the recommended practice, the Board has opted to disclose the number of key senior management whose aggregate remuneration for the financial period ended 30th June 2018 as follows:													
		<table border="1"> <thead> <tr> <th>Range of Remuneration</th> <th>Number of Key Senior Management</th> </tr> </thead> <tbody> <tr> <td>RM 100,000 to RM 150,000</td> <td>1</td> </tr> <tr> <td>RM 150,001 to RM 200,000</td> <td>-</td> </tr> <tr> <td>RM 200,001 to RM 250,000</td> <td>1</td> </tr> <tr> <td>RM 250,001 to RM 300,000</td> <td>2</td> </tr> <tr> <td>RM 300,001 to RM 350,000</td> <td>1</td> </tr> </tbody> </table>		Range of Remuneration	Number of Key Senior Management	RM 100,000 to RM 150,000	1	RM 150,001 to RM 200,000	-	RM 200,001 to RM 250,000	1	RM 250,001 to RM 300,000	2	RM 300,001 to RM 350,000	1
Range of Remuneration	Number of Key Senior Management														
RM 100,000 to RM 150,000	1														
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RM 300,001 to RM 350,000	1														
<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 7.3 – Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Applied
Explanation on departure 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	:	<p>In compliance with paragraph 15.02(3) of Bursa's listing requirement the company has an effective and independent Audit Committee comprising of three (3) Independent Non-Executive directors.</p> <p>This is in compliance with the Step up recommendation of CG Code and MMLR.</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 8.2

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 Group has in place a policy that requires a former key audit partner of existing external auditor to observe a cooling-off period of at least two years before being appointed as a member of the Audit and Risk Committee. However, the Board is currently reviewing this policy as it is of the view it will not be considered appropriate to appoint key audit partner of the engagement as an Independent Director of 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

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	The Group has in place a policy to assess the suitability, objectivity and independence of the external auditor. The Audit and Risk Committee had undertaken an assessment of the independence, timelessness, competence, audit quality and resource capacity of the external auditor in relation to the audit, the nature and extent of the non-audit services rendered and the appropriateness of the level of fees.
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 Committee consists of three (3) members of which all are 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 Audit Committee possesses the right mix of skills to discharge its duties effectively.</p> <p>Majority of the Audit Committee members possesses sufficient financial knowledge to provide satisfactory input on financial matters. The Committee also comprises members with legal, corporate and finance backgrounds which are financially literate and provide diverse perspectives that strengthen the quality of deliberations.</p> <p>All members receive ongoing training and development as disclosed in the Annual Report.</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>Pursuant to Paragraph 15.2(b) of the Main Market Listing Requirements, the Board is committed to maintain a sound risk management framework and internal control system in the Group.</p> <p>The Group recognises that risk represents an integral part of its business activities. Key management staff and Heads of Department are delegated with the responsibility to manage identified principle risks within defined parameters and standards. Regular management and operational meetings are held to deliberate key risks and the appropriate mitigating controls. Significant risks affecting the Group's strategic and business plans are tabled to the Board at their scheduled meetings. This on-going process is undertaken at all the major subsidiaries of 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	:	<p>Principal risks and uncertainties associated with the Group's business are summarised under the Statement on Risk Management and Internal Control in the Annual Report.</p> <p>The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and has put in place a structured risk management framework which includes the following key elements:</p> <ul style="list-style-type: none">• guiding principles of the risk management framework;• approach to risk management;• approach in reviewing and monitoring significant risks;• regular review of the effectiveness of internal control.
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 9.3 – 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>Regular Board meetings are held to discuss and decide on policies and major business matters, while the management committees' discussions, briefings and meetings are held from time to time to:</p> <ul style="list-style-type: none">• monitor and assess the business performance;• manage the operational controls;• identify, discuss and resolve financial and key management issues;• review the risks and controls of the business;• deliberate on the investment proposals;• discuss appropriate tax planning measure and plans;• consider issues of corporate governance and business practices, and• review and evaluate the information technology, requirements and systems support of the various subsidiaries.

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>It is the policy of the Group to maintain an internal audit function as a primary resource of Audit Committee in the effective discharge of its duties and responsibilities by reviewing and evaluating the Group's operations.</p> <p>The Internal Audit function of the Group is independent of operations and endeavours to provide independent, objective assurance and consulting services to the Board on the effectiveness and adequacy of the Group's system of internal control.</p> <p>The Internal Audit engagements were carried out based on the audit plan as approved by the Audit Committee. During the financial period, the results of the audits as disclosed in the Internal Audit reports were reviewed by the Audit Committee. The internal audit scope contained major improvement opportunities, audit findings, management response and corrective actions in areas with significant risks and internal control deficiencies. Corrective and preventive actions as well as deadlines to complete the actions were provided by the Audit Committee. Reports that require significant improvement opportunities and/or shows critical control deficiencies were tabled to the Audit Committee for deliberation.</p> <p>The details of the Audit Committee's oversight over the Internal Audit function are set out under the Audit Committee Report.</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

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>Policies and procedures regulating financial and operating activities are documented in Employees Handbook manuals as the key framework for good internal control practices.</p> <p>These manuals are subject to regular reviews and updates to reflect the changing business risks and to resolve operational deficiencies, if any.</p> <p>The employees of the Group are aware of the objectives of the risk management and the need for the various checks and balances put in place as mentioned in the manual to achieve effective 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>It has always been the Group's practice to maintain good relationship with its shareholders. Major corporate developments and activities in the Group have always been duly and promptly announced to all shareholders, in line with Bursa Malaysia Securities Berhad's objectives of ensuring transparency and good corporate governance practices.</p> <p>The Board primarily achieve this through the following activities; dialogue with shareholders at AGM, the Annual Report, announcements to Bursa, quarterly reports, Group's website and investor relations.</p> <p>The Group also maintains a website which shareholders and other stakeholders can gain access to information about the Group, activities and/or any announcements made by the Group. This can all be located at 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

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

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

Practice 11.2

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

Application	:	Departure.	
Explanation on application of the practice	:	N/A	
Explanation for departure	:	Not Applicable.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	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 of the AGM is circulated at least 28 days prior to the date of the meeting so 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. Shareholders are invited to attend the AGM each year and to ask questions on any of the resolutions proposed. The Chairman and all Directors are to be present at that meeting to response to any questions addressed to them.	
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	:	Departure	
Explanation on application of the practice	:	N/A	
Explanation for departure	:	The Group does not have large number of shareholders and AGM is normally held at its registered office. Hence, the use of high technology to facilitate electronic voting and remote shareholder participation is not necessary as at the current environment.	
<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.