

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7036
COMPANY NAME : Borneo Oil Berhad
FINANCIAL PERIOD : 1st July 2018 to 30th June 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT 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 Company is managed and led by experienced, dynamic and well-balanced Board comprising competent professionals with diverse expertise, knowledge, skills and experience that enable them to discharge their duties and responsibilities effectively towards achieving the Group's business goals and objectives.</p> <p>The management is responsible for assisting the Board in implementing the policies and procedures adopted by the Board to achieve the Group's objective and in running the Group's day-to-day business operation.</p> <p>Roles and Responsibilities of the Board includes:</p> <ul style="list-style-type: none">(i) Reviewing and adopting strategic plans for the Group;(ii) Overseeing the conduct of the Group's business to ensure that the business is properly managed. The Board reviews the business progress, monitor the financial performance and approval of the financial reports;(iii) Identifying principal risks and implementing appropriate control systems to manage and mitigate these risks;(iv) Maintaining an effective communication policy between the Group and its shareholders;(v) Reviewing the adequacy and integrity of the Group's internal control systems and management information systems for compliance with the applicable laws, regulations, rules, directives and guidelines; and(vi) Succession planning includes identifying, approving, appointing and training of calibre staff for both current and future needs, as well as long term success of the Group. This policy is designed to ensure the Company recognize and develop employees through training and job rotation to enhance skills and knowledge allowing for progression and succession.
Explanation for departure	:	N/A

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

Intended Outcome

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

Practice 1.2

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

Application	: Applied
Explanation on application of the practice	: <p>Mr Tan Kok Chor is the Chairman of the Company. His profile is reflected in the accompanying Annual Report 2019. He ensures the Board functioned effectively with good corporate governance under his leadership.</p> <p>Being the Chairman of the Board, he is also an independent Non-Executive Director with accumulated vast experience in various sectors including properties management and real estate development which enable him to provide the Board with a diverse set of experience, expertise and skills to better manage and run the Group.</p>
Explanation for departure	: N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	: N/A
Timeframe	: N/A

Intended Outcome

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

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

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

Intended Outcome

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

Practice 1.4

The board is supported by a suitable qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretaries are Ms Chin Siew Kim and Ms Andrea Huong Jia Mei. They are qualified to act as company secretaries under section 235 of the Companies Act 2016.</p> <p>The Company Secretary through the Chairman plays an important role in good governance by helping the Board and its committees function effectively and in accordance with their terms of reference and best practices.</p> <p>The Company Secretary's roles include:</p> <ul style="list-style-type: none">• Attend and ensure proper conduct and procedures at all Board meetings, Board Committee Meetings, Annual General Meeting("AGM") and Extraordinary General Meetings("EGM");• Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Malaysia on a timely basis;• Ensure that deliberations at the meetings are well captured and minuted and subsequently communicated to the relevant Management personnel for necessary actions;• Ensure that the Company complies with the Main Market Listing Requirements("MMLR") and the requirements of the relevant authorities;• Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;• Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents.
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

Intended Outcome

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

Practice 1.5

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

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

Intended Outcome

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

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

Practice 3.1

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

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

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

Intended Outcome

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	:	As at the FYE 30.6.2019, the Board comprises of six (6) members, out of which three (3) are Independent Non-Executive Directors. It fulfills the prescribed requirement for at least half of the board comprises of independent directors as stated in Chapter 15.02 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied – Two Tier voting
Explanation on application of the practice	:	<p>The Company recognizes the MCCG's recommendation that the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of nine (9) years, the Independent Director may continue to serve on the Board as an Independent Director subject to assessment by the Board and shareholders' approval at the general meeting.</p> <p>MCCG 2017 recommended that if the Board intends to retain an independent Director after the twelfth (12) years, the Board should seek annual shareholders' approval through a two-tier voting process.</p> <p>Both of the Independent Directors, Mr Tan Kok Chor and Mr Michael Moo Kai Wah, were appointed on 21 August 2001 and 15 January 2008 respectively and had served beyond twelfth (12) years as Independent Non-Executive Directors. Therefore, the Company shall be seeking the shareholders' approval via two-tier voting process at the forthcoming 35th Annual General Meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

Intended Outcome

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

Practice 4.3 – Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied	
Explanation on application of the practice	:	In selecting a suitable candidate, the Nomination Committee takes into consideration the candidate's qualification, skills, experience and the candidate's directorship in other companies. The final decision on the appointment of a candidate recommended by the Nomination Committee rests with the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board acknowledged the call by the Government and MCCG for Boards of large companies to comprise at least 30% women on Board. However, the Board has yet to adopt a gender diversity policy. The Board does not consider gender is a barrier of board membership. Nevertheless, the Board will continue to assess and review the needs to adopt this policy from time to time.
		The Board will take the necessary steps to reflect the Company's commitment towards gender diversity.
<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 appointment to the Board are formal and transparent. The candidate is identified not just through the recommendation of the existing board members, senior management and shareholders but also from independent third party referrals.</p> <p>In identifying candidates for appointment to the Board, certain factors are taken into consideration their mix of skills, experience and strength that would be relevant for the effective discharge of the Board's responsibilities.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nominations Committee ("NC") is made up entirely of Non-Executive Directors, of whom all 3 Directors are independent. The committee is chaired by Mr Seroop Singh Ramday, a 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	:	<p>The Board, through the NC, had conducted annual assessment to determine the effectiveness of the board, its committees and each individual director.</p> <p>The effectiveness of the Board is assessed based upon the composition and experience of the respective Board Committee members, fulfilment of objectives in line with their respective Terms of Reference, effectiveness and efficiency of decision making process, the quality of information communicated to the Board as well as the effectiveness of the Board Committees' Chairman.</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 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Directors and senior management's remuneration is formulated to be competitive and realistic with the aim to attract, motivate and retain their relevant experience, expertise and quality needed to assist in managing the Group effectively.</p> <p>The RC is responsible for reviewing and recommending to the Board, the policy and framework of the Directors' remuneration and the remuneration package for the Executive Directors.</p>
Explanation for departure	:	<p>The policies and procedures will be made available on the Company website when appropriate.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

Intended Outcome

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

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

Practice 6.2

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

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

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

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The detailed disclosure of each Director's remuneration for the financial year from 1 July 2018 to 30 June 2019 are set out in the Corporate Governance Overview Statement of the Annual Report 2019.	
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	:	<p>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.</p> <p>As an alternative to the recommended practice, the Board has opted to disclose the number of key management personnel whose aggregate remuneration for the financial year ended 30th June 2019 as follows:</p> <table border="1"><thead><tr><th>Range of Remuneration</th><th>Number of Key Management Personnel</th></tr></thead><tbody><tr><td>RM100,000 to RM 150,000</td><td>4</td></tr><tr><td>RM150,001 to RM 200,000</td><td>1</td></tr><tr><td>RM200,001 to RM 250,000</td><td>-</td></tr><tr><td>RM250,001 to RM 300,000</td><td>-</td></tr><tr><td>RM300,001 to RM 350,000</td><td>-</td></tr></tbody></table>	Range of Remuneration	Number of Key Management Personnel	RM100,000 to RM 150,000	4	RM150,001 to RM 200,000	1	RM200,001 to RM 250,000	-	RM250,001 to RM 300,000	-	RM300,001 to RM 350,000	-
Range of Remuneration	Number of Key Management Personnel													
RM100,000 to RM 150,000	4													
RM150,001 to RM 200,000	1													
RM200,001 to RM 250,000	-													
RM250,001 to RM 300,000	-													
RM300,001 to RM 350,000	-													
<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	:	Departure
Explanation on departure of the practice	:	The Board discloses on a named basis of the top five senior management's aggregate remuneration in bands of RM50,000 as per Practice 7.2.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee is Mr Michael Moo Kai Wah, an Independent Non-Executive Director. Meanwhile, the Chairman of the Board is Mr Tan Kok Chor, who is also an 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

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 – Step Up

The Audit Committee should comprise solely of Independent Directors.

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The qualification and experience of the individual Audit Committee members are disclosed in the profile of the Directors of the Annual Report 2019.</p> <p>During the financial year ended 30.6.2019, all members of the Audit Committee had undertaken the relevant training programmes to keep themselves abreast of the latest development in accounting and auditing standards, statutory laws, regulations and best practices to enable them to effectively discharge their duties.</p>
Explanation for departure	:	N/A
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	N/A
Timeframe	:	N/A

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges its overall responsibilities for establishing and maintaining a sound, effective and efficient system of risk management and internal control to safeguard the shareholders' investment, the Group's assets and interest of other stakeholders.</p> <p>The Board is also committed to maintaining and reviewing the adequacy and integrity of the internal control system that would provide reasonable assurance in monitoring the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.</p>
Explanation for departure	:	N/A
<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 statement of risk management and internal control of the Group are set out in the Statement on Risk Management and Internal Control of the Annual Report 2019.	
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>The Board acknowledges the importance of good practice of corporate governance and is committed to maintaining a sound system of internal control and for reviewing its effectiveness, adequacy and integrity.</p> <p>In view of the limitations that are inherent in any internal control system, the Group’s system of internal control can only minimize the risk of failure to achieve the policies, goals and business objectives of the Group. It can therefore only provide reasonable and not absolute assurance against material misstatement, financial losses, fraud or breach of any laws/regulations.</p>

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Group's internal audit function was outsourced to an independent professional firm who report directly to the Audit Committee. The internal auditors carry out the responsibility to provide an independent, objective assurance and consultation to add value and improve Group's operation and internal control besides assisting the Company to accomplish its effectiveness of risk management, control and governance processes.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

Practice 10.2

The board should disclose –

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

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

Intended Outcome

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

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

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognizes the importance of timely communication and thorough dissemination of information to the shareholders and various stakeholders, on major business developments and performance of the Group via appropriate channels of communication.</p> <p>Dissemination of information includes the release of Quarterly and Annual Reports, relevant circulars and announcement made to Bursa Malaysia Securities Berhad.</p> <p>Shareholders and the public are able to visit the Company's website at www.borneo-oil.com.my for detailed information about the Group. All announcements released to Bursa Malaysia Securities Berhad are also available on Bursa Securities' website at www.bursamalaysia.com.</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 2019 has been prepared in accordance with the Main Market Listing Requirements ("MMLR"). Sustainability Statement was provided in the Annual Report to enhance reporting connectivity while providing stakeholders with a more holistic view of how the Company creates and sustains value.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	The Notice and agenda of the AGM together with the Form of Proxy were dispatched 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 the general meeting to address any stakeholder concerns on matters relating to the functions and activities under the purview of their respective Committees.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	N/A	
Timeframe	:	N/A	

Intended Outcome

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

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate –

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure	
Explanation on application of the practice	:	N/A	
Explanation for departure	:	This does not apply as the Company does not usually have meetings in remote locations. Overall the use of high technology to facilitate electronic voting and remote shareholder participation is available at all times	
<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.