

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5133  
**COMPANY NAME** : PETRA ENERGY BERHAD  
**FINANCIAL YEAR** : December 31, 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: <p>In setting the Company's strategic aims, the Board relies on the reports provided by the Group Chief Executive Officer ("<b>GCEO</b>") who oversees the entire business and operations of the Group.</p> <p>At each Audit Committee Meeting and Board Meeting, and as and when the need arises, the GCEO will brief the Directors on the current operations, issues faced and plans of the Group in order for the Board to be kept abreast on the conduct, business activities and development of the Company, and to discuss and advise the Management in its formulation of the Company's business strategies, both short-term and long-term. Discussions would include the deployment of resources in achieving the objectives to be met and how the Management has performed its duties in order to ensure that all resources are efficiently and effectively utilised. In making its decisions, the Board would be guided by the Company's values and standards.</p> <p>In the discharge of the Board's duties and responsibilities, the Board has delegated certain duties and responsibilities to four (4) other Board Committees namely, the Audit Committee ("<b>AC</b>"), Nominating Committee, Remuneration Committee and Board Risk Management Committee ("<b>BRMC</b>") to assist the Board in overseeing the Company's affairs and in deliberation of issues within their respective functions and Terms of Reference, which outline clearly their objectives, duties and powers. The Chairman of each Committee will report to the Board on the outcome of the Committee's meetings and resolutions, which would also include the key issues deliberated at the Committee's meetings.</p> <p>To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company during the financial year ended 31 December 2018, the Board had, amongst others:-</p>

**(a) Reviewed, challenged and decided on Management's proposals and monitored the implementation by the Management**

Each of the other Directors is able to bring about objective judgements and advice drawing from their respective knowledge, expertise and experience, and ensured that the Management has taken into account all appropriate considerations in establishing any strategic plans and business proposals for the Company. All other Directors would follow up the implementation status of plans and business activities through the GCEO.

As part of the efforts to improve the financial situation of the Group in order to keep the business sustainable, upon the recommendation of the GCEO, the Company has established a Task Force Committee ("TFC") during the financial year ended 31 December 2018, with the aim to focus on addressing the challenges identified by the Management and expedite the decision process so that necessary actions could be taken quickly by the Management to address the issues raised rather than waiting for the issues to be addressed at the quarterly meetings of the Board.

**(b) Promote good corporate governance culture**

The Board and the Management fully understand their collective duties and responsibilities in guiding the business activities of the Group in reaching an optimum balance of a sound and sustainable business operation with an optimal corporate governance framework in order to safeguard shareholders' interests.

**(c) Ensure that the strategic plan of the Company supports long-term value creation and sustainability**

The Board conducts a review of the Group's overall strategy. The Board ensures that the Company's strategies promote sustainability with attention given particularly to environmental, social and governance aspects of business which underpin sustainability, such as the Company's transformation plan to heighten its competitive ability through continuous research and development efforts which promote operations productivity and cost efficiency.

Additionally, the Board would review and guide the corporate strategy, major plans of action, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance and overseeing major capital expenditures, acquisitions and divestitures.

The Company has also established a Transformation Team on the same year after the dissolution of the TFC for the purpose of strengthening the core business of the Company in order to remain to sustain healthy margins and to explore different value chain with better margin other than just upstream so that it would generate more income streams.

**(d) Supervised and assessed the Management performance**

The AC and Board monitored the Management performance through the reports provided by the GCEO on a regular basis: -

- The Group's financial performance
- The Group's trade receivables and collection status
- The Group's latest business developments

**(e) Ensured there is a sound framework for internal controls and risk management**

The Board has a risk management framework of the Group established to facilitate proper conduct of the Group's businesses and has established key control processes to ensure that there is a sound framework of reporting on internal controls and regulatory compliance.

The Board has delegated the implementation and monitoring of the internal control and risk management system to the Group Internal Audit ("**GIA**") and Group Risk Management ("**GRM**") comprising of Risk Management Steering Committee and Risk Management Working Committee. Nonetheless, the BRMC and AC have also been entrusted by the Board to assist the Board to identify, evaluate, monitor and manage any relevant major risk faced by the Group that may hinder the achievement of the Company's business objectives through the reports presented to them by the GIA and GRM respectively on quarterly basis.

**(f) Understood the principal risks surrounding the Group's business and set the risk appetite**

The BRMC assists the Board on managing the risk exposure of the Group in order to achieve its business objective.

GRM is responsible to perform risk identification, risk evaluation and make relevant recommendations for risk mitigation for the Group, reports to the BRMC on quarterly basis. GRM monitors the movement of the risk ratings and alert the BRMC whenever there is new risk spotted on their radar.

	<p>Through the updates by GRM, the Board took note and understood the risks surrounding all of the Group's business, and would periodically engage with the Management to ensure that the risks involved in the business decisions undertaken based on pre-determined risk appetite are properly managed or mitigated.</p> <p><b>(g) Ensured the integrity of the Company's financial and non-financial reporting</b></p> <p>The Board is assisted by the AC in ensuring the Group's financial reporting processes are effective and the quality of the financial reporting is of the high standard. The AC reviewed the quarterly financial reports which were presented by the Chief Financial Officer prior to the AC's recommendation to the Board for approval and announcements to Bursa Malaysia Securities Berhad.</p> <p><b>(h) Ensured that the Company has in place procedures to enable effective communication with stakeholders</b></p> <p>The Board is aware of commitment to enhance long term shareholders' value through regular communication with all its stakeholders.</p> <p>The Board strives to ensure there are regular communications with all its stakeholders, regardless of individual or institutional investors, or the wider stakeholders at large, through the timely releases of quarterly financial results, circulars, press releases, corporate announcements and annual reports.</p> <p>The information of the Company can be obtained by accessing the Company's website at <a href="http://www.petraenergy.com.my">www.petraenergy.com.my</a>. Shareholders and investors are also able to access the latest corporate, financial and market information of the Company via Bursa Malaysia Berhad's website at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a>.</p> <p>Shareholders may also communicate with the Company on investor relation matters by emailing <a href="mailto:shareholdermatters@penergy.com.my">shareholdermatters@penergy.com.my</a> or post their enquiries to the Company through the Company's web enquiry form on its website. The Company will endeavour to reply to these enquiries in the shortest possible time.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is chaired by Tan Sri Datuk Seri Panglima Sulong bin Matjeraie ("<b>Tan Sri Sulong</b>"), an Independent Non-Executive Director, who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board.</p> <p>Tan Sri Sulong had, during the financial year ended 31 December 2018: -</p> <ul style="list-style-type: none"> <li>• provided leadership to the Board without limiting the principle of collective responsibility for the Board decisions</li> <li>• led Board meetings and discussions in a manner that encouraged constructive discussions and effective contribution from each Director</li> <li>• reviewed the minutes of the Board meetings to ensure that the minutes accurately reflect the Board's deliberations, and matters arising from the minutes have been addressed</li> <li>• led the Board in establishing and monitoring good corporate governance practices in the Company</li> <li>• encouraged active participation and allowed dissenting views to be freely expressed</li> <li>• managed the interface between the Board and the Management</li> <li>• ensured appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole</li> <li>• through the Management and the Company Secretaries, set the Board agenda and ensured that the Board members received complete and accurate information in a timely manner</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of the Chairman of the Board and Group Chief Executive Officer have always been held by two (2) different individuals and each has a clear accepted division of responsibilities between two (2) roles to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.</p> <p>The Chairman of the Board, Tan Sri Datuk Seri Panglima Sulong bin Matjeraie, is primarily responsible for the achievement of the Group's strategic vision and also for leading the Board in its collective oversight of management, while the Group Chief Executive Officer, Dato' Anthony @ Firdauz bin Bujang, has overall responsibilities over the business operations and day-to-day management of the Group and the implementation of the Board's policies and decisions.</p> <p>These division of responsibilities for the two (2) roles are set out in the Company's Board Charter.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>Currently, the Company is supported by two (2) suitably qualified and competent Company Secretaries namely, Ms Chua Siew Chuan and Mr. Lim Lih Chau.</p> <p>The Company Secretaries are the external Company Secretaries from Securities Services (Holdings) Sdn. Bhd. with vast knowledge and experience from being in public practice and are supported by a dedicated team of company secretarial personnel.</p> <p>The Company Secretaries support the Board and the relevant Board Committees to ensure their effective functioning in accordance with their terms of reference and best practices, and in managing the corporate governance framework of the Company. The Company Secretaries also advise the Directors on their fiduciary and statutory duties, as well as corporate disclosures and compliances with the Companies Act 2016, the Company's Constitution, the Bursa Malaysia Securities Berhad ("<b>Bursa Securities</b>") Main Market Listing Requirements ("<b>MainLR</b>"), the Malaysian Code on Corporate Governance, adopted policies, and other pertinent regulations governing the Company, including guiding the Board towards the necessary compliances.</p> <p>The Company Secretaries also update the Board on changes in the regulatory requirements to ensure correct procedures are followed and the Company remains compliant with the relevant rules and regulatory requirements.</p> <p>The Company Secretaries are also acting as the official liaison party for the Company to prepare, and submit statutory returns to the Companies Commission of Malaysia ("<b>CCM</b>"). They will ensure that any change in the Company's statutory information will be notified to the CCM in the relevant prescribed forms in a timely manner.</p> <p>The Company Secretaries are responsible in arranging meetings of Directors and shareholders. This involves the preparation of agenda, issuance of proper notices of meetings, and taking and producing minutes to record the business transacted at the</p>

	<p>meetings and the decisions taken.</p> <p>At least one (1) of the Company Secretaries or their qualified representative attended the Twelfth Annual General Meeting (“12<sup>th</sup> AGM”) and all Board and Board committee meetings during the financial year ended 31 December 2018. All deliberations at the 12<sup>th</sup> AGM and all Board and Board Committee meetings were well minuted for the Board’s reference and for action plans to be communicated to the Management to work on and to report back to the Board.</p> <p>During the 12<sup>th</sup> AGM, the Company Secretaries coordinated with the Management and Share Registrar or Poll Administrator to manage the processes of the meeting and ensure orderly proceedings, including the conduct of the poll taken on all resolutions tabled at the 12<sup>th</sup> AGM.</p> <p>The Company Secretaries also update the Board on the Directors’ Resolutions in Writing passed, Directors’ dealings pursuant to Chapter 14 of the MainLR, announcements made to Bursa Securities and circulars or correspondences from Bursa Malaysia Berhad, at every scheduled Board meeting during the year, as well as the changes in the regulatory requirements.</p> <p>The Company Secretaries had and will continue to constantly keep themselves abreast on matters concerning company law, the capital market, corporate governance, and other pertinent matters, and with changes in the regulatory environment, through continuous training and industry updates. They have also attended many relevant continuous professional development programmes as required by Malaysian Association of the Institute of Chartered Secretaries and Administrators (MAICSA) and other regulatory authorities for practicing Chartered Secretaries.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretaries in discharge their function, duties and responsibilities.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

**Intended Outcome**

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

**Practice 1.5**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Notice of the Board Meeting is served to the Directors at least seven (7) days prior to the Board Meeting unless there is an exceptional case.</p> <p>During the financial year ended 31 December 2018, all meeting materials are circulated to the Directors at least three (3) days in electronic form prior to the Board Meetings, to allow ample time for Directors to consider the relevant information.</p> <p>The Management takes cognizance of the importance of providing complete and adequate information to the Directors on a timely basis to enable them to make informed decisions to discharge their duties and responsibilities. They will continue to strive in ensuring that the complete meeting materials are circulated at least five (5) business days in advance of the meetings.</p> <p>The Minutes of Board and Board Committee meetings are circulated to the respective Chairman in a timely manner for review before they are confirmed. All Board members reviewed and confirmed the minutes of meetings to ensure they accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberation on a particular matter.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has published the latest Board Charter on the Company's website at <a href="http://www.petraenergy.com.my">www.petraenergy.com.my</a>, which was reviewed, updated and approved by the Board on 22 February 2018. The respective roles and responsibilities of the Board, Board Committees, Executive Directors/Chief Executive Officer, Independent Directors and management are clearly set out in the Board Charter as guidance and clarity to enable them to effectively discharge their duties.</p> <p>The Board Charter was updated to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members, and the various legislations and regulations affecting their conduct, and that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of the Company.</p> <p>The Board Charter and Terms of Reference of the Board Committees will be reviewed as and when necessary to ensure they remain consistent with the Board's objectives and responsibilities, and reflect the latest compliance requirements as a result of changes in the regulatory framework, and remain relevant at all times.</p> <p>The Board keeps itself abreast of the responsibilities delegated to each Board Committee, and matters deliberated at each Board Committee meeting through the minutes of the Board Committee meetings and reports from the respective Board Committee chairmen, which are presented to the Board during Board meetings at the appropriate regular intervals.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p><b>Code of Ethics</b></p> <p>The Company had adopted the Code of Ethics issued by the Companies Commission of Malaysia that are applicable to all Directors of the Group. The Code of Ethics provides guidance for proper standards of conduct with sound and prudent practices as well as standards of ethical and behaviour for director, in line with the Company's core values which emphasize on behavioural ethics when dealing with third parties and employees. Directors are expected to conduct themselves with the highest ethical standards and corporate governance.</p> <p><b>Code of Conduct</b></p> <p>The Company had also adopted the Code of Conduct, which governs the professional conduct of its employees and outlines their responsibilities to the Group in performing their duties. The various policies and guidelines within the Code of Conduct spell out the standards and ethics that all employees are expected to adhere to in the course of their work. It highlights the Group's expectations on their professional conduct which includes good attendance, punctuality and appearance, and prohibits instances on alcohol and drug abuse as well as sexual harassment. The Code of Conduct also covers issues pertaining to employees' commitment, confidentiality, insubordination, public statements, and conflicts of interest. The Code of Conduct is designed to maintain discipline and order in the workplace among employees at all levels. It also sets out the circumstances in which such employees would be deemed to have breached the Code of Conduct and the disciplinary actions that can be taken against them.</p> <p>The Code of Conduct is disseminated throughout to employees through the Company's intranet and as part of its enforcement, employees are required, to submit their declaration to adhere to</p>

	and observe its provisions.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had on 21 December 2011 adopted a Whistleblower Policy to facilitate the whistleblower to report or disclose through established channels about instances of unethical behaviours, actual or suspected fraud, dishonesty, violations or wrongdoings they may observe in the Group without fear of retaliation should they act in good faith when reporting such concerns.</p> <p>The Policy does not apply to issues or concerns which are malicious in nature, raised from personal interest or ill will, or covered under another Company's procedure and not limited to the issue pending or determined through ant tribunal or authority re the court of law, arbitration or other similar proceedings.</p> <p>Should it be determined during initial investigation that an improper or unethical act has been committed, the matter disclosed should be handled in accordance with the existing Disciplinary Procedures specified under the Company's Human Resources Policy for actions to be taken. Apart from that, the corrective actions will be taken against the persons as determined by the Audit Committee and supported by the Management, which may include disciplinary measures, formal warning or reprimand, demotion, suspension or termination of employment or services with the Company or other forms of punishment through normal Human Resource Domestic Inquiry process and procedures.</p> <p>The Whistleblower Policy is available on the Company's website at <a href="http://www.petraenergy.com.my">www.petraenergy.com.my</a> and would be reviewed by the Board as and when necessary to ensure relevance and effectiveness.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Departure																
<b>Explanation on application of the practice</b>	:																	
<b>Explanation for departure</b>	:	<p>The Board currently comprises two (2) Independent Non-Executive Directors (“<b>INED</b>”), one (1) Senior INED, one (1) Non-Independent Non-Executive Director (“<b>NINED</b>”) and three (3) Executive Directors (“<b>ED</b>”), as listed below:-</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Directorate</th> </tr> </thead> <tbody> <tr> <td>Tan Sri Datuk Seri Panglima Sulong bin Matjeraie</td> <td>INED</td> </tr> <tr> <td>Abdul Rahim bin Abdul Hamid</td> <td>Senior INED</td> </tr> <tr> <td>Ng Ing Peng <i>(redesignated from NINED to INED on 2 January 2019)</i></td> <td>INED</td> </tr> <tr> <td>Gian Carlo Maccagno</td> <td>NINED</td> </tr> <tr> <td>Dato’ Anthony @ Firdauz bin Bujang</td> <td>ED</td> </tr> <tr> <td>Ahmadi bin Yusoff</td> <td>ED</td> </tr> <tr> <td>Simon Ong <i>(redesignated from INED to ED on 4 December 2018)</i></td> <td>ED</td> </tr> </tbody> </table> <p>Although less than half of the Board comprises Independent Directors, the Board views the number of its Independent Non-Executive Directors as adequate to provide the necessary check and balance to the Board’s decision-making process. Further, as the Chairman of the Board is independent, the Chairman of the Board provides the strong leadership necessary to marshal the Board’s priorities objectively.</p> <p>The Board may consider appointing more Independent Directors to the Board when the need arises in the future.</p>	Name	Directorate	Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	INED	Abdul Rahim bin Abdul Hamid	Senior INED	Ng Ing Peng <i>(redesignated from NINED to INED on 2 January 2019)</i>	INED	Gian Carlo Maccagno	NINED	Dato’ Anthony @ Firdauz bin Bujang	ED	Ahmadi bin Yusoff	ED	Simon Ong <i>(redesignated from INED to ED on 4 December 2018)</i>	ED
Name	Directorate																	
Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	INED																	
Abdul Rahim bin Abdul Hamid	Senior INED																	
Ng Ing Peng <i>(redesignated from NINED to INED on 2 January 2019)</i>	INED																	
Gian Carlo Maccagno	NINED																	
Dato’ Anthony @ Firdauz bin Bujang	ED																	
Ahmadi bin Yusoff	ED																	
Simon Ong <i>(redesignated from INED to ED on 4 December 2018)</i>	ED																	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	<p>The tenure of an Independent Director (“ID”) shall not exceed a cumulative term of nine (9) years as disclosed in the Board Charter. However, upon completion of the nine (9) years, the ID may continue to serve on the Board subject to his redesignation as Non-Independent Director. In the event the Director is to remain designated as an ID, the Board shall first justify and obtain shareholders' approval for such retention.</p> <p>Encik Abdul Rahim bin Abdul Hamid (“<b>Encik Rahim</b>”), who was appointed as an ID since 13 July 2010, and shall reach the cumulative period of nine (9) year from 13 July 2019 onwards.</p> <p>The Nominating Committee had assessed the performance and independence of Encik Rahim and is satisfied that his independence has not been impaired. The NC had recommended to the Board the retention of their directorate as ID based on the following justifications:-</p> <ul style="list-style-type: none"><li>• fulfilled the criteria under the definition of ID pursuant to Paragraph 1.01 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements;</li><li>• not been involved in any business or other relationship which could hinder the exercise of independent judgement, objectivity or his ability to act in the best interests of the Company;</li><li>• no potential conflict of interest, whether business or non-business related with the Company;</li><li>• not established or maintained any significant personal or social relationship, whether direct or indirect, with the Group Chief Executive Officer or Executive Directors, major shareholders or Management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent with his duties and expected of him to carry out his duties as an ID; and</li></ul>

	<ul style="list-style-type: none"> <li>• did not accept compensation from the Group, other than compensation for board service for the financial year ended 31 December 2018; and</li> </ul> <p>The Board being satisfied with the justifications and criteria met by Enick Rahim, shall be seeking the shareholders' approval at the forthcoming Thirteenth Annual General Meeting of the Company to retain Encik Rahim as an ID of the Company.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is judicious of the gender diversity recommendation promoted by the Malaysian Code on Corporate Governance in order to offer greater depth and breadth to board discussions and constructive debates at senior management level.</p> <p>The Company is an equal opportunity employer and all appointments to the Board and employment of senior management are based on objective criteria, merit, skills and experience, and may not be driven by any age, cultural background or gender considerations.</p> <p>The Board appoints its members through a formal and transparent selection process. The new appointees will be considered and evaluated by the Nominating Committee and the Nominating Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretaries will ensure all appointments are properly documented.</p> <p>Currently, the Company consists of one (1) female Director on the Board and two (2) female members in the senior management team.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	Despite the Board not having any formalised board diversity policy or gender diversity policy, the Board practices non-gender discrimination and endeavours to promote workplace diversity and supports the representation of women in the composition of Board and Senior Management positions of the Company.  Currently, there is one (1) female Director on the Board and two (2) female members in senior management team.
		More women representation on the Board and in senior management will be taken into consideration when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aims of selecting the best candidate to support the achievement of the Company's strategic objectives.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of not solely relying on recommendations from existing Board members, Management or major shareholders in identifying candidates for appointment of Directors.</p> <p>In recommending suitable candidates for directorships and Board committees to the Board, the Nominating Committee (“<b>NC</b>”) takes into consideration the candidate’s experience, competency, personal integrity and reputation, financial integrity, time commitment, other directorship involved and potential contribution to the Company, etc. Any new nomination received is recommended to the Board after a comprehensive assessment and the NC’s endorsement.</p> <p>During the financial year ended 31 December 2018, there was appointment of the two (2) new Directors, namely Mr. Simon Ong and Dato’ Mohamed Nizam bin Abdul Razak (who has resigned as a Director of the Company on 24 September 2018). The following steps as set out in the Company’s Board Charter have been carried by the NC before their recommendation the two (2) candidates to the Board for approval:-</p> <ol style="list-style-type: none"><li>1. Identification of candidates</li><li>2. Evaluation of suitability of candidates</li><li>3. - Shortlisting and meeting up with the candidate; - Assessment against Assessment Criteria; and - Guides and recommendation by NC</li><li>4. Final deliberation by the Board and decision thereof</li></ol> <p>Nonetheless, the Board is aware of the guidance to utilise independent sources for future appointments and to disclose how a Board member is sourced in the Company’s annual report.</p>
<b>Explanation for departure</b>	:	

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

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Nominating Committee is chaired by Encik Abdul Rahim bin Abdul Hamid, who is the Senior Independent Non-Executive Director of the Company.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>During the financial year ended 31 December 2018 (“<b>FYE 2018</b>”), the Board, through the Nominating Committee (“<b>NC</b>”), has conducted the following annual assessments to determine the effectiveness of the Board, its Committees and each individual Director in the financial year ended 31 December 2017 (“<b>FYE 2017</b>”):-</p> <ul style="list-style-type: none"><li>(i) Directors’ self-assessment;</li><li>(ii) Evaluation on the effectiveness of the Board as a whole and Board Committees;</li><li>(iii) Assessment of Independent Directors; and</li><li>(iv) Review of the term of office and performance of Audit Committee (“<b>AC</b>”) and each of its members.</li></ul> <p>The current system of assessment is as described below:-</p> <p><b>(a) Directors’ self-assessment</b></p> <p>The annual assessment of the Directors commences with the completion of a set of comprehensive assessment form detailing all assessment criteria were completed by each Director on their own performances in the FYE 2017. Such assessment form then submitted to the Company Secretaries confidentially for tabulation and table the consolidated results to the NC at meeting. Criteria for the self-assessment include ratings on their own knowledge, contribution, performance, calibre and personality.</p> <p>In overall, the NC and the Board were satisfied with the performance of the individual Directors in the FYE 2017.</p> <p><b>(b) Evaluation on the effectiveness of the Board as a whole and Board Committees</b></p> <p>The criteria for the assessment of the performance of the Board as a whole and the Board committees cover composition, processes, accountability as well as the</p>

	<p>fulfilment of duties and responsibilities.</p> <p>Based on the evaluations conducted during the FYE 2018, the NC and the Board were satisfied with the performance of the Board as a whole as well as the Board Committees in the FYE 2017.</p> <p><b>(c) Assessment of Independent Directors</b></p> <p>The Board through the NC had also assessed the independence of the Independent Directors on the Board, taking into account the criteria based on the definition in Paragraph 1.01 of Bursa Malaysia Securities Berhad Main Market Listing Requirements in ensuring that the Independent Directors are able to contribute to the effective objective functioning of the Board. All Independent Directors had executed their respective undertaking/confirmation that they remain independent:-</p> <p>In overall, the NC is satisfied that the Independent Directors have brought independence and objective judgements to the Board and have not been compromised, amongst others, by familiarity or close relationship with other Board members.</p> <p><b>(d) Review of the term of office and performance of AC and each of its members</b></p> <p>Based on the evaluation conducted during the FYE 2018, the NC and the Board were satisfied with the performance of all the AC members in the FYE 2017, and the Board has renewed the term of office of each of the Audit Committee members for another term of one (1) year.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board believes that competitive remuneration is important to attract, retain and motivate Directors with necessary calibre, expertise and experience to lead the Group in the long term. The Board had adopted 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 to determine the remuneration of Directors and senior management.</p> <p>The formalised Remuneration Policy that sets out the criteria to be used in recommending remuneration packages for the Executive Directors/Group Chief Executive Officer and any senior management personnel is currently being drafted and shall be adopted for implementation upon the Board's approval.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a Remuneration Committee ("<b>RC</b>") that assists the Board in reviewing and recommending the proposed remuneration package of the Executive Directors including Directors of subsidiary companies, and senior management to ensure that the executive directors and senior management are fairly rewarded for their contribution to overall performance and that the compensation is reasonable in light of the Group's objectives, which rewards contribution to the long-term success of the Company in promoting business stability and growth.</p> <p>The RC has a detailed Terms of Reference in writing, which includes the RC's:-</p> <ul style="list-style-type: none"><li>• Objectives</li><li>• Authority</li><li>• Membership</li><li>• Meeting procedures</li></ul> <p>The RC comprises two (2) Independent Non-Executive Directors ("<b>INED</b>") and one (1) Non-INED. The RC is chaired by Encik Abdul Rahim bin Abdul Hamid, who is the Senior INED.</p> <p>During the financial year ended 31 December 2018, the RC has undertaken the following activities based on its Terms of Reference:-</p> <p>(i) Reviewed the payment of Directors' fees to Non-Executive Directors from the period of 25 May 2018 until to Thirteenth Annual General Meeting ("<b>13<sup>th</sup> AGM</b>") and recommended the same to the Board to recommend to the shareholders for approval;</p>

	<p>(ii) Reviewed the benefits payable to the Directors from the period of 25 May 2018 until to 13<sup>th</sup> AGM of the Company and recommended the same to the Board to recommend to the shareholders for approval; and</p> <p>(iii) Deliberated on the remuneration package and service contract agreement of the Executive Director and recommended the same to the Board for approval.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	: Applied				
<b>Explanation on application of the practice</b>	: The breakdown of the remuneration of each individual Director for the financial year ended 31 December 2018 is as follows:-				
	<b>(i) Company Level</b>				
	<b>Name of Director</b>	<b>Salaries and Compensation</b>	<b>Directors' Fees</b>	<b>Defined contributions plan</b>	<b>Other emoluments (Including Benefit-in-kind)</b>
		<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
	<b>Executive Directors</b>				
	Dato' Anthony @ Firdauz bin Bujang	1,181,250	-	225,295	242,152
	Ahmadi bin Yusoff	687,487	-	116,878	52,869
	Simon Ong *	296,967	-	6,237	5,000
	<b>Total</b>	<b>2,165,704</b>	<b>-</b>	<b>348,410</b>	<b>300,021</b>
	<b>Non-Executive Directors</b>				
	Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	-	127,650	-	10,400
	Abdul Rahim bin Abdul Hamid	-	161,675	-	17,472
	Gian Carlo Maccagno	-	91,157	-	16,800

Ng Ing Peng	-	55,500	-	7,200
Simon Ong *	-	86,625	-	12,000
Dato' Mohamed Nizam bin Abdul Razak #	-	43,887	-	800
<b>Total</b>	<b>-</b>	<b>566,494</b>	<b>-</b>	<b>64,672</b>

**(ii) Group Level**

<b>Name of Director</b>	<b>Salaries and Compensation (RM)</b>	<b>Directors' Fees (RM)</b>	<b>Defined contributions plan (RM)</b>	<b>Other emoluments (Including Benefit-in-kind) (RM)</b>
<b>Executive Directors</b>				
Dato' Anthony @ Firdauz bin Bujang	1,181,250	-	225,295	242,152
Ahmadi bin Yusoff	687,487	-	116,878	52,869
Simon Ong *	296,967	-	6,237	5,000
<b>Total</b>	<b>2,165,704</b>	<b>-</b>	<b>348,410</b>	<b>300,021</b>
<b>Non-Executive Directors</b>				
Tan Sri Datuk Seri Panglima Sulong bin Matjeraie	-	127,650	-	10,400
Abdul Rahim bin Abdul Hamid	-	161,675	-	17,472
Gian Carlo Maccagno	-	91,157	-	16,800
Ng Ing Peng	-	55,500	-	7,200

	Simon Ong *	-	86,625	-	12,000
	Dato' Mohamed Nizam bin Abdul Razak #	-	43,887	-	800
	<b>Total</b>	<b>-</b>	<b>566,494</b>	<b>-</b>	<b>64,672</b>
	<p>* appointed as Independent Non-Executive Director ("<b>INED</b>") of the Company on 22 February 2018, and was subsequently redesignated as Executive Director on 4 December 2018.</p> <p># appointed as <b>INED</b> of the Company on 22 February 2018, and resigned as a Director on 24 September 2018.</p>				
<b>Explanation for departure</b> :					
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>					
<b>Measure</b> :					
<b>Timeframe</b> :					

## 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.

<b>Application</b>	:	Departure																			
<b>Explanation on application of the practice</b>	:																				
<b>Explanation for departure</b>	:	<p>The Board is of the view that it is inappropriate to disclose the remuneration of senior management staff on a named basis, for the best interest of the Group in mind, and taking into consideration the sensitivity, security, and issue of staff morale.</p> <p>The top (5) five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.00, are as follows:</p> <table border="1" data-bbox="544 1131 1396 1541"> <thead> <tr> <th>Range</th> <th>Remuneration per annum</th> <th>Number of Senior Management</th> </tr> </thead> <tbody> <tr> <td>RM650,001 – RM700,000</td> <td></td> <td>1</td> </tr> <tr> <td>RM550,001 – RM600,000</td> <td></td> <td>0</td> </tr> <tr> <td>RM500,001 – RM550,000</td> <td></td> <td>0</td> </tr> <tr> <td>RM450,001 – RM500,000</td> <td></td> <td>3</td> </tr> <tr> <td>RM300,001 – RM350,000</td> <td></td> <td>1</td> </tr> </tbody> </table>		Range	Remuneration per annum	Number of Senior Management	RM650,001 – RM700,000		1	RM550,001 – RM600,000		0	RM500,001 – RM550,000		0	RM450,001 – RM500,000		3	RM300,001 – RM350,000		1
Range	Remuneration per annum	Number of Senior Management																			
RM650,001 – RM700,000		1																			
RM550,001 – RM600,000		0																			
RM500,001 – RM550,000		0																			
RM450,001 – RM500,000		3																			
RM300,001 – RM350,000		1																			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>																					
<b>Measure</b>	:																				
<b>Timeframe</b>	:																				

### **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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee (“<b>AC</b>”) is chaired by Encik Abdul Rahim bin Abdul Hamid (“<b>Encik Rahim</b>”), the Senior Independent Non-Executive Director, while the Chairman of the Board is Tan Sri Datuk Seri Panglima Sulong bin Matjeraie, also an Independent Non-Executive Director. This had ensured that the objectivity of the Board's review of the AC's findings and recommendations is not impaired.</p> <p>Encik Rahim is responsible to ensure the overall effectiveness and independence of the AC. Together with other members of the AC, he had ensured among others that–</p> <ul style="list-style-type: none"> <li>a) the AC is fully informed about significant matters related to the Company's audit and its financial statements and addresses these matters;</li> <li>b) the AC appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;</li> <li>c) the AC's concerns on matters that may have an effect on the financial or audit of the company are communicated to the external auditor; and</li> <li>d) there is co-ordination between internal and external auditors.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company would consider adopting the requirement, when necessary.	
		To-date, none of the Audit Committee (“ <b>AC</b> ”) members were former key audit partners and in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of the AC.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Audit Committee ("<b>AC</b>") continuously monitored and undertook an annual assessment of the suitability, objectivity and independence of the external auditors. The External Auditors ("<b>EA</b>") have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>In recommending the re-appointment of the EA to the Board, the AC has considered the following:-</p> <ol style="list-style-type: none"><li>the competence, audit quality, experience and resource capacity of the EA in relation to the audit;</li><li>the persons assigned to the audit;</li><li>the audit firm's other audit engagements;</li><li>the EA's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;</li><li>the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and</li><li>obtaining written assurance from the EA confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</li></ol> <p>During the financial year ended 31 December 2018, the AC completed the assessments adopted by the Company. The AC was of the view that Messrs. PricewaterhouseCoopers PLT ("<b>PwC</b>") is suitable, objective and independent to be re-appointed based on the following justifications:-</p> <ul style="list-style-type: none"><li>PwC' active communication with the AC.</li><li>Presentation of a comprehensive audit plan and audit findings report.</li><li>PwC had provided the necessary quality of services required.</li><li>PwC had sufficient resources to carry out the audit.</li><li>PwC's independence policies i.e., declaration of independence in accordance with the By-Laws of the Malaysian Institute of Accountants (on Professional Ethics, Conduct and Practice) are in order.</li></ul>

	During the financial year ended 31 December 2018, the Board noted that the external auditors had expressed their willingness to continue in office for the ensuing year and having reviewed the suitability, objectivity and independence of the external auditors, the Board has in turn, recommended the same for shareholders' approval at the Twelfth Annual General Meeting of the Company.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nominating Committee reviewed the term of office and performance of the Audit Committee ("<b>AC</b>") and each of its members and had recommended that they continue in office for another term of one (1) year.</p> <p>The Board is satisfied with the AC's performance as the Chairman and its members possess the necessary knowledge, experience, expertise and skills which contributed to the overall effectiveness of the AC. All members of the AC are financially literate, have sufficient understanding of the Group's business and commercial expertise skills required to discharge their roles and responsibilities effectively.</p> <p>All members of the AC have undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Company has established a comprehensive Risk Management Framework ("<b>Framework</b>") that includes risk management policy, visible objectives, clear lines of responsibility and accountability as well as an efficient framework on procedures and reporting guidelines, by the Board of Directors for adoption in January 2013. The revision to the said Framework was approved by the Board in June 2016.</p> <p>The Board, through the Board Risk Management Committee ("<b>BRMC</b>"), identify, evaluate, monitor and manage significant business risks and internal control of the Group in order to safeguard shareholders' investment and the assets of the Group.</p> <p>The duties and responsibilities of the BRMC are as follows:-</p> <ul style="list-style-type: none"> <li>• To review the enterprise risk profile/register to ensure comprehensive and effective management of key risks.</li> <li>• To ensure that strategic risks are considered and addressed at the level of the Board and Executive Directors.</li> <li>• To follow up on management risk treatment action plans reported by</li> <li>• To provide regular reporting and timely update on the operations of the enterprise-wide risk management framework to the Board.</li> <li>• To propose to the Board the monetary threshold and qualitative criteria of proposed investment and/or new ventures, which require the evaluation and recommendation of the BRMC before submission to the Board.</li> <li>• To review investment and/or new venture proposals prepared by project sponsor which meet the aforesaid threshold and requisite</li> </ul> <p>Further details on the Group's internal control is provided under the Statement on Risk Management and Internal Control in the 2018 Annual Report.</p>
<b>Explanation for departure</b>	:

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

**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.

<p><b>Application</b></p>	<p>: Applied</p>
<p><b>Explanation on application of the practice</b></p>	<p>: There are six (6) steps within the risk management process. At each stage, there are distinct decisive factors to be considered before the next stage is reached. A structured framework approach to risk management that incorporates all the necessary steps was developed as illustrated below:-</p> <div data-bbox="542 952 1396 1429" data-label="Diagram"> <pre> graph TD     subgraph Risk_Management_Process [INTERNAL CONTROL FRAMEWORK]         S1[Step 1: Determine policy, objectives and define risk] --&gt; S2[Step 2: Risk Identification]         S2 --&gt; S3[Step 3: Risk Assessment]         S3 --&gt; S4[Step 4: Risk Evaluation &amp; Prioritisation]         S4 --&gt; S5[Step 5: Risk Management or Treatment]         S5 --&gt; S6[Step 6: Monitor and Review Risks]         S6 --&gt; S1     end     COMM[COMMUNICATION]     </pre> </div> <p>The Group’s Risk Management System is effective and functioning adequately, and that everyone in the Group has been made aware of and alert to the requirements of the system and its procedures. The Board has acknowledged that all identified risks are being managed to an acceptable level, and that the system is proficient in helping to keep the Group in line with its long term goals and objective. The Board also monitors the progress of implementation plan and the level of risk rating on Quarterly basis.</p> <p>The Board, through the Board Risk Management Committee, monitors risks and internal control via the Group’s Risk Management Framework, which is a comprehensive report tabling the current status, action taken and conclusion of the key risks identified, every quarter.</p>

	Further details on the Group's internal control is provided under the Statement on Risk Management and Internal Control in the 2018 Annual Report.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The internal audit function of the Company is carried out by the in-house Group Internal Audit Department (“<b>GIA</b>”) that assists the Audit Committee (“<b>AC</b>”) and the Board in managing risks by providing an independent assessment on the adequacy, efficiency and effectiveness of the Company’s risk management and internal control system and processes. GIA reports directly to the AC.</p> <p>The AC has the following duties and responsibilities to ensure the internal audit function is effective and able to function independently:-</p> <ul style="list-style-type: none"><li>• to review the internal audit plan, to consider the major findings of internal audit investigations and management’s responses, and ensure co-ordination between the internal and external auditors;</li><li>• review the internal audit reports; and</li><li>• determine the remit of internal audit function that reports directly to the AC.</li></ul> <p>In developing the scope of the internal audit function, the AC was satisfied that –</p> <ol style="list-style-type: none"><li>a) the person responsible for the internal audit has relevant experience, sufficient standing and authority to enable him to discharge his functions effectively;</li><li>b) internal audit has sufficient resources and is able to access information to enable it to carry out its role effectively; and</li><li>c) the personnel assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively.</li></ol> <p>GIA had and would continue to keep abreast with developments in the profession, relevant industry and regulations.</p> <p>The internal audit function is independent of the operations of the Company and provides reasonable assurance that the Company’s system of internal control is satisfactory and operating effectively.</p> <p>During the financial year ended 31 December 2018, the AC had reviewed and assessed the adequacy of the scope, functions,</p>

	competency and resources of the GIA in the financial year ended 31 December 2017 and that they have the necessary authority to carry out their work.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The internal audit function is supported by the in-house Group Internal Audit Department (“<b>GIA</b>”) and headed by Encik Khairul Ridzwan bin Azizan, who is a member of Association of Chartered Certified Accountants (“<b>ACCA</b>”) and also ACCA’s Certified Accounting Technician with diverse professional experience in internal audit and risk management.</p> <p>All the GIA staff involved in the internal audit reviews possess professional qualifications and/or a university degree. They are also free from any relationships or conflict of interest, which could impair their objectivity and independence.</p> <p>The internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care. All internal control related issues identified were reported directly by the head of GIA to Audit Committee and administratively to the Group Chief Executive Officer.</p> <p>The internal audit function is carried out in accordance to the International Standards for the Professional Practice of Internal Auditing (Standards) of the International Professional Practices Framework (IPPF).</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company.</p> <p>The Annual General Meeting ("AGM") is the main forum of dialogue with shareholders as it provides an opportunity for the shareholders to seek and clarify any issues pertaining to the Group and to have a better understanding of the Group's activities and performance. It is also an avenue for the Chairman and Board members to respond personally to all queries and provide clarification on issues and concerns raised by the shareholders. Both individuals and institutional shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions set out in the notice.</p> <p>Other than the forum of the AGM, the Company communicates regularly with shareholders and investors through annual reports, quarterly financial reports and various announcements made via Bursa LINK as the Board acknowledges the importance of accurate and timely dissemination of information to its shareholders, potential investors and the public in general. Shareholders and Investors can obtain the Company's latest announcements in the dedicated website of Bursa Malaysia Securities Berhad at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a> or via the Company's website at <a href="http://www.petraenergy.com.my">www.petraenergy.com.my</a>.</p> <p>The Company's website which is accessible at <a href="http://www.petraenergy.com.my">www.petraenergy.com.my</a> provides all relevant information on the Company and is accessible by the public. It includes the announcements made by the Company and annual reports. The Board discloses to the public all material information necessary for informed investment and takes reasonable steps to ensure that all shareholders enjoy equal access to such information.</p>
<b>Explanation for departure</b>	:	

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

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company is not categorised as a "Large Company" under the Malaysian Code on Corporate Governance and hence, has not adopted integrated reporting based on a globally recognised framework.</p> <p>However, the Company would consider adopting the integrated reporting based on a globally recognised framework, when necessary.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During the financial year ended 31 December 2018, the Annual Report, which contains the Notice of Twelfth Annual General Meeting (“<b>AGM</b>”), was sent to shareholders at least twenty-eight (28) days prior to the date of the meeting to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the AGM. The Notice of AGM, which sets out the businesses to be transacted at the AGM, was also published in a major local newspaper.</p> <p>The notes to the Notice of AGM also provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All the Directors of the Company attended the Twelfth Annual General Meeting of the Company held on 24 May 2018, save and except for Dato' Mohamed Nizam bin Abdul Razak ("<b>Dato' Nizam</b>") (who has resigned as a Director of the Company on 24 September 2018). Dato' Nizam is not a chair of the Audit Committee, Nominating Committee, Remuneration Committee or Board Risk Management Committee.</p> <p>All the Directors of the Company will endeavour to attend all future General Meetings and the Chair of the Audit Committee, Nominating Committee, Remuneration Committee and Board Risk Management Committee will provide meaningful responses to questions addressed to them.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	: Departure
<b>Explanation on application of the practice</b>	:
<b>Explanation for departure</b>	: <p>Shareholders who wish to attend Annual General Meeting (“<b>AGM</b>”)/general meetings are given at least twenty-eight (28) days, to ensure that shareholders are able to make the necessary arrangements to attend general meetings, review agenda items, and formulate questions, if any. Where they are not able to attend, they may appoint proxies to attend on their behalf to vote and represent them.</p> <p>In line with the Bursa Malaysia Securities Berhad Main Market Listing Requirements on the requirement for poll voting for any resolution set out in the notice of general meetings, during the Twelfth AGM held on 24 May 2018, the resolutions tabled at the Twelfth AGM were all voted by poll.</p> <p>Depending on the cost effectiveness, the Board will consider and explore the suitability and feasibility of adopting electronic poll voting in coming years to facilitate greater shareholders participation at general meeting.</p> <p>Prior to implementing the voting in absentia and remote shareholders’ participation at general meeting(s), the Board noted several factors/ conditions need to be fulfilled prior to making such consideration:-</p> <ul style="list-style-type: none"> <li>• Relevant amendments to the Constitution of the Company to outline the procedures for enabling such Voting/ Participation;</li> <li>• Availability of technology and infrastructure;</li> <li>• Affordability of the technology and infrastructure;</li> <li>• Sufficient number of shareholders residing/locating at particular remote location(s); and</li> <li>• Age profile of the shareholders.</li> </ul> <p>In view thereof, the Board will not be recommending the adoption of such voting/participation at the forthcoming AGM of the Company.</p>

	For shareholders who are not able to make the journey to the AGM venue, they are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at the AGM.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.*

N/A
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