

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5243  
**COMPANY NAME** : UMW OIL & GAS CORPORATION BERHAD  
**FINANCIAL YEAR** : December 31, 2017

## 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>The Board is charged with leading and managing the Company in an effective and responsible manner. Each Director has a legal duty to act in the best interests of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.</p> <p>The Directors understand that the responsibility for good Corporate Governance rests with them and therefore strive to apply the broad principles and specific recommendations on structures and processes as stated in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").</p> <p>The Company complies with the various guidelines and recommendations issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Securities Commission ("SC"), Green Book on Enhancing Board Effectiveness ("Green Book") by the Putrajaya Committee on Government - Linked Companies ("GLC") High Performance and Corporate Governance Guide. The Board's roles, responsibilities and composition are also governed by the Memorandum and Articles of Association ("M&amp;A") of the Company and the laws and regulations governing companies in Malaysia.</p> <p>The Board meets in person at least once every quarter to facilitate the discharge of its responsibilities. Members of the management who are not Directors are invited to attend and speak at meetings on matters relating to their sphere of responsibility.</p> <p>Duties of the Board include establishing the corporate vision and mission, as well as the philosophy of the Company, setting the aims of</p>

	<p>the management and monitoring the performance of the management.</p> <p>The Board assumes the following specific duties:</p> <ul style="list-style-type: none"> <li>a) Establishing and reviewing the strategic direction of the Company;</li> <li>b) Overseeing and evaluating the conduct of the Company's businesses;</li> <li>c) Identifying principal risks and ensuring that risks are properly managed;</li> <li>d) Establishing a succession plan;</li> <li>e) Ensuring the existence of a good investor relations programme and shareholder communication policy; and</li> <li>f) Reviewing the adequacy of the internal.</li> </ul> <p>The Board has established written procedures in determining issues that require decisions of the full Board and issues that can be delegated to Board Committees or the management. The Board has also established several Board Committees to assist in the discharge of its responsibilities.</p> <p>Nevertheless, the Board reserves full decision-making powers on the following matters: -</p> <ul style="list-style-type: none"> <li>a) Material acquisitions and disposal of assets;</li> <li>b) Investments in major projects;</li> <li>c) Authority levels;</li> <li>d) Treasury policies;</li> <li>e) Risk Management policies;</li> <li>f) Key human resource issues; and</li> <li>g) Conflict of interest issues relating to a substantial shareholder or Director.</li> </ul> <p>The Board has established a procedure whereby the Directors, collectively or individually, may seek independent professional advice in furtherance of their duties at the Company's expense.</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 1.2

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 Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role.</p> <p>The Chairman is responsible for:-</p> <ul style="list-style-type: none"><li>a) leading the Board in setting the values and standards of the Company;</li><li>b) maintaining a relationship of trust with and between the Executive and Non-Executive Directors;</li><li>c) ensuring the provision of accurate, timely and clear information to Directors;</li><li>d) ensuring effective communication with shareholders and relevant stakeholders;</li><li>e) arranging regular evaluation of the performance of the Board, its Committees and individual Directors; and</li><li>f) facilitating the effective contribution of Non-Executive Directors and ensuring that constructive relations be maintained between Executive and Non-Executive Directors.</li></ul> <p>The Chairman, in consultation with the President and the Company Secretary, sets the agenda for Board meetings and ensures that all relevant issues are on the agenda.</p> <p>The Chairman is responsible for managing the business of the Board to ensure that:</p> <ul style="list-style-type: none"><li>a) all Directors are properly briefed on issues arising at Board meetings;</li><li>b) sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings beforehand to enable thorough preparation for the Board discussion; and</li><li>c) the issues discussed are forward looking and concentrates on strategy.</li></ul> <p>The Chairman ensures that every Board resolution is put to vote to ensure that the will of the majority prevails.</p> <p>Where only two (2) Directors are present, or only 2 Directors are present who are not disqualified pursuant to Article 102 of the Articles of Association, or who are competent to vote, the Chairman shall not have a second or casting vote.</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

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 Company aims to ensure a balance of power and authority between the Chairman and the President with a clear division of responsibility between the running of the Board and the Company's business, respectively.</p> <p>The position of Chairman is held by Dato' Abdul Rahman bin Ahmad who is a Non-Independent Non-Executive Director of the Board while, the position of President is held by Encik Rohaizad bin Darus who is an Executive Director of the Board.</p> <p>The President is the conduit between the Board and the management in ensuring that the management practice is performed at the highest level of integrity and transparency and that the business and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations.</p> <p>The President has the executive responsibility for the day-to-day operations of the Company's business.</p> <p>The President is responsible for implementing policies of the Board, overseeing the Group's operations and developing the Group's business strategies, which include performance targets and long-term goals established by the Board. The views of the management are represented at meetings of the Board by the presence of senior executives when required.</p> <p>All Board authorities conferred on the management is delegated through the President and this will be considered as the President's authority and accountability as far as the Board is concerned.</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>	:		
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## 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>The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.</p> <p>The Company Secretary is accountable to the Board through the Chairman of the Board and Committees on all governance matters.</p> <p>The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company.</p> <p>The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.</p> <p>The Board members have unlimited access to the professional advice and services of the Company Secretary, which should include advice on: –</p> <ul style="list-style-type: none"><li>a) disclosure of interest in securities;</li><li>b) disclosure of any conflict of interest in a transaction involving the Company;</li><li>c) prohibition on dealing in securities; and</li><li>d) restrictions on disclosure of price-sensitive information.</li></ul> <p>The Company Secretary must keep abreast of, and inform, the Board of current governance practices.</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>	:		
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### 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 Company aims to provide all Directors with timely and quality information and in a form and manner appropriate for them to discharge their duties effectively.</p> <p>The management is responsible for providing the Board with the required information in an appropriate and timely manner. If the information provided by the management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.</p> <p>A full agenda and comprehensive Board papers are circulated to all Directors well in advance of each Board meeting.</p> <p>The Board records its deliberations, in terms of the issues discussed, and the conclusions in discharging its duties and responsibilities. All decisions made including all issues discussed in arriving at decisions are to be properly recorded to provide a historical record and insight into those decisions.</p> <p>Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director.</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 of Directors of UMW OIL &amp; GAS CORPORATION BERHAD (“UMW-OG” or “Company”) regard Corporate Governance as vitally important to the success of UMW-OG's business and are committed in ensuring that the principles of good governance are applied in all of the Company’s dealings.</p> <ul style="list-style-type: none"> <li>• The Board is the focal point of the Company’s Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the Company.</li> <li>• All Board members shall act in a professional manner, upholding the core values of integrity and enterprise in discharging their fiduciary duties and responsibilities.</li> <li>• All Board members are responsible to the Company for achieving a high level of good governance.</li> <li>• This Board Charter is not an “all inclusive” document and should be read as a broad expression of principles and shall constitute and form an integral part of each Director’s duties and responsibilities.</li> </ul> <p>The objectives of this Board Charter are to ensure that all Directors 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>This Board Charter would also act as a source of reference and primary induction literature to provide insights to prospective Board members and senior management.</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>UMW-OG's commitment to strong corporate governance is fortified in its Code of Business Conduct and Ethics ("CoBE"), which guides the Company in fulfilling its business obligations with utmost integrity as well as transparency.</p> <p>To ensure consistent good business practices and governance, the CoBE sets our commitment to work responsibly, with integrity and respect. The objective of the CoBE is to act as a reference guide for conduct and ethics throughout one's employment with the Company.</p> <p>The CoBE is rolled out to employees through various trainings as well as communication programmes.</p> <p>Each employee undergoes training and is required to read and understand the CoBE.</p> <p>All employees will be required to agree and declare on their understanding of the Company's policy and procedures, and submit their individual "Disclosure of Conflict of Interest".</p> <p>The CoBE is driven by our core values, keeping in mind the highest standard of business ethics.</p> <p>UMW-OG will be continuously transmitting this CoBE for the employee to be aware that the Company is serious in handling any misconduct or any unethical behaviours of any employee.</p> <p>Refresher training will also be conducted periodically to ensure continuous compliance.</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

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 whistle-blowing policy (“WBP”) which complements the Code of Business Conduct and Ethics (“CoBE”), provides a non discriminatory and fair treatment for all reported incidents.</p> <p>The WBP ensures concerns regarding unethical, unlawful or improper conduct relating to mismanagement, malpractices, corrupt practices, fraud, conflict of interest, abuse of authority or breach of any laws and regulations by any member of its staff and management are investigated internally and if a violation is confirmed, appropriate actions will be taken.</p> <p>This may involve serious consequences, up to and including dismissal or contract termination.</p> <p>Employees are encouraged to file suspected wrongdoings through the proper mode of communications anonymously to the President, or the Head of Human Resources without facing repercussions.</p> <p>The Whistle-Blowing Committee, will then act and dispose of any reported incidents and investigations.</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 4.1**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In the FY2017, there were nine Directors, with the Chairman (being a Non-Independent Non-Executive Director), one Non-Independent Non-Executive Director, six Independent Non-Executive Directors and one Executive Director, who is the President of the Company.</p> <p>In line with the recommendations of the Code’s Best Practices relating to board membership, as the Chairman is a Non-Independent Director, the composition for the Board comprises a majority of Independent Directors.</p> <p>Six out of the nine or more than 67% of its composition comprised Independent Directors.</p> <p>The Board composition reflects the balance of independent and non-independent directors, with due consideration given to diversity in terms of gender, ethnicity and age. Together, the Board comprises a mix of qualified and experienced Directors with diverse skills, core competencies, background and commercial expertise including expertise in oil and gas industry, law, accountancy, business operations, financial, risk and investment management.</p> <p>The background of each director is set out on pages 32 to 41 in the 2017 Annual Report.</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 4.2**

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>	:	Not applicable - Step Up 4.3 adopted	
<b>Explanation on application of the practice</b>	:		
<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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>In line with the recommendations of the Code, the Board has implemented a nine year tenure limit for Independent Directors, which has been incorporated in the Board Charter, where upon the completion of a cumulative term of nine years, the Independent Director may continue to serve the Board subject to the Director's redesignation as a Non-Independent Director or remain designated as an Independent Director with shareholders' approval.</p> <p>At present, none of the Independent Directors has served more than nine years on the Board.</p>

**Intended Outcome**

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

**Practice 4.4**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination and Remuneration Committee (“NRC”) is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill board vacancies at the Company level as well as within the Group.</p> <p>The NRC is also responsible for the appointment, dismissal, transfer and promotion for senior most executives in the Group (for job grade CSM-22 and above).</p> <p>Apart from assisting the Board to carry out annual reviews on the mix of skills and experience and other qualities, including core competencies, which the Non-Executive Directors bring to the Board, the NRC also carries out the process of evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors, as well as the President of the Company, and to identify areas for improvement.</p> <p>Nominations may come from a wide variety of sources, including Directors, senior employees of the Group, customers, shareholders, industry associations, recruiting firms and others.</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>	:	<p>The Board is actively working towards meeting the Government's target of 30% women's participation on Boards. In 2017, UMW-OG has achieved 22.2% with the appointments of the following capable and qualified individuals on its Board:-</p> <p>(i) Rowina Ghazali Seth; and (ii) Haida Shenny binti Hazri.</p> <p>The UMW-OG Group does not practice gender nor age or ethnicity discrimination, neither at the management level nor at the Board level. There is already women representation on the Company's Board as well as on management and the Boards of subsidiary companies.</p> <p>The wide spectrum of skills, experiences and diversity in terms of gender, ethnicity and age has given an added strength in terms of leadership and management.</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>	:	The Board supports the country's aspirational target of 30% representation of women directors and has initiated search for potential candidates. The Board is considering to have an additional women director to meet the target and timeline required by MCCG 2017.
<b>Timeframe</b>	:	Within 1 year

### 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 Nomination and Remuneration Committee (“NRC”) is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill board vacancies at the Company level as well as within the Group.</p> <p>The NRC is also responsible for the appointment, dismissal, transfer and promotion for senior most executives in the Group (for job grade CSM-22 and above).</p> <p>Apart from assisting the Board to carry out annual reviews on the mix of skills and experience and other qualities, including core competencies, which the Non-Executive Directors bring to the Board, the NRC also carries out the process of evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors, as well as the President of the Company, and to identify areas for improvement.</p> <p>Nominations may come from a wide variety of sources, including Directors, senior employees of the Group, customers, shareholders, industry associations, recruiting firms and others.</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 4.7**

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 and Remuneration Committee is chaired by Dato' Afifuddin Abdul Kadir, a Senior Independent Director.	
<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>The Nominating and Remuneration Committee carries out an annual performance evaluation based on a set of updated questionnaires that evaluated the Board and the Board Committees' performances, and the respective activities undertaken including the performances and contributions of the Chairman, individual Directors and the President.</p> <p>The independence of UMW-OG's Directors is measured based on the test of independence prescribed under the MMLR that he/she is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or ability to act in the best interest of UMW-OG Group.</p> <p>This test is carried out before the appointment of Directors and re-affirmed annually by Independent Non-Executive Directors by self-assessment of independence by completion of the Confirmation of Independence Form.</p> <p>Annually, the review of Directors' independence also form part of the Director's performance evaluation.</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

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>	: Applied
<b>Explanation on application of the practice</b>	<p>The Nominating and Remuneration Committee ("NRC") is also responsible for developing the UMW-OG Group's remuneration policy framework and recommending the remuneration package of Directors and members of the senior management to the Board.</p> <p>The Board as a whole, upon the recommendation of the NRC determines the remuneration package and reward structure of the Executive Director and Non-Executive Directors. Directors do not participate in any discussions or decisions concerning each individual's remuneration.</p> <p>In the case of the President/Executive Director, the remuneration is structured to link rewards to corporate and individual performance through Key Performance Indicators comprising fixed and performance-based rewards. The remuneration of the President/Executive Director includes salary, emoluments and benefits-in-kind.</p> <p>The level of remuneration of the Non-Executive Directors reflects the experience and level of responsibilities undertaken by the Director concerned. The Non- Executive Directors are paid annual fees and attendance allowances (in accordance with the number of meetings attended).</p> <p>In addition, the Non-Executive Directors are also provided with benefits-in-kind. Non-Executive Directors' fees are determined by a fixed sum and approved through an ordinary resolution in a general meeting.</p> <p>The NRC carries out reviews when appropriate and refers to remuneration surveys and consultants to assist in determining the appropriate level of reward which is competitive and consistent with the corporate objectives. This is necessary in order to attract and retain professionals with the qualities needed to manage the Group</p>

	successfully.	
	The policies and procedures are made available on the company's website at <a href="http://www.umw-oilgas.com">www.umw-oilgas.com</a> .	
<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 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>	:	The Company has a combined Nomination and Remuneration Committee. Their authority and duties as well as functions are clearly defined in the Terms of Reference of the Nomination and Remuneration Committee, which is accessible on the Company's corporate website at <a href="http://www.umw-oilgas.com">www.umw-oilgas.com</a> .
<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 remuneration of individual directors with breakdown of fees and other allowances were disclosed on a named basis in the Statement of Corporate Governance on page 87 of the Annual Report 2017.	
<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 7.2

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>While the Board is cognisant on the importance of transparency, due to the intense competition and scarcity for C-level talent, more so for those who have the required mix of skills and experience that is uniquely suited to the Company's business operations, the Board of Directors' believes that individual disclosure on a named basis for the remuneration of the top five senior management personnel is not in the best interest of the Group.</p> <p>The profiles of the Key Senior Management ("KSM") are set out on page 42 to 45 of the Annual Report 2017. Compensation is based on accepted industry benchmarks for the relevant positions based on expertise and experience.</p> <p>The Company believes that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the KSM's remuneration.</p> <p>The remuneration of the President who is also the Executive Director of the Company is disclosed under the Statement on Corporate Governance on page 87 of 2017 Annual Report.</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>	:	The Company does not have any alternative plan to meet the intended outcome.
<b>Timeframe</b>	:	Others
		Not Applicable

**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>	:	The Chairman of the Audit Committee is not the Chairman of the Board:- <ul style="list-style-type: none"><li>• The Chairman of the Board of Directors' is Dato' Abdul Rahman bin Ahmad, a Non-Independent Non-Executive Director; and</li><li>• The Board's Audit Committee Chairman is Razalee bin Amin, an Independent Non-Executive Director.</li></ul>
<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 8.2**

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>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company has never appointed former key audit partners to its Board of Directors.</p> <p>The Company will revise the Terms of Reference for Audit Committee to include a cooling-off period of at least two years if any former key audit partner is considered as candidate for Audit Committee in the future.</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 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 Board Audit Committee ("BAC") assessed the suitability and independence of the external Auditors in accordance to the approved External Auditors' Assessment Policy. The assessment considered the following matters:-</p> <ul style="list-style-type: none"><li>• The external auditors' requisite skills and expertise, including industry knowledge to effectively audit the Group;</li><li>• The independence and objectivity of the external auditors;</li><li>• The planning and execution of audit plan approved by the BAC;</li><li>• Key risks including fraud risks had been highlighted, discussed and factored in the audit plan; and</li><li>• The effectiveness of communication between the external Auditors and the BAC.</li></ul> <p>BAC evaluated the performance of the external auditors for FY2017 and recommended to the Board that Messrs. Ernst &amp; Young be appointed as external auditors for the year ending 31 December 2018 at the 8th AGM.</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 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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board Audit Committee's ("BAC") Chairman is Encik Razalee bin Amin, an Independent Non-Executive Director.</p> <p>The BAC comprises of four Independent Non-Executive Directors, with the majority being Independent Directors in compliance with the provisions of Paragraph 15.09(1) of the MMLR of Bursa Malaysia.</p>

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All members are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.</p> <p>The Chairman of the Board Audit Committee ("BAC"), Encik Razalee bin Amin, is a member of the Malaysian Institute of Accountants, a member of the Malaysian Institute of Certified Public Accountants and a member of the Financial Planning Association of Malaysia. The BAC therefore, meets the requirements of Paragraph 15.09(1)(c) of the MMLR of Bursa Malaysia.</p> <p>Continuous professional development for Directors were included and disclosed in the Corporate Governance Statement from page 92 to page 93 of the Annual Report 2017.</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 Board of Directors ("Board") of UMW Oil &amp; Gas Corporation Berhad ("UMW-OG" or "Company") is committed to maintaining sound and effective risk management and internal control systems in UMW-OG and its subsidiaries ("Group") to manage risks and to report on internal controls and regulatory compliance to safeguard shareholders' investments, stakeholders' interests and the Group's assets.</p> <p>Set out in the 2017 Annual Report, the Board's Statement on Risk Management and Internal Control ("Statement") for the financial year ended 31 December 2017 which outlines the nature and scope of risk management and internal control of the Group and covers all of the Group's operations except for associated company.</p> <p>The Statement is prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers ("Guidelines") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") and the requirements of the Malaysian Code on Corporate Governance 2017 ("MCCG").</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**

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The key features of the Company’s risk management and internal control framework, which covers their adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control on pages 96 to pages 101 of the 2017 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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board Risk Management Committee ("BRMC") is responsible for reviewing risk management and matters pertaining to quality, health, safety and environment in detail with Management and shall support the Board in the review, evaluation and recommendation on matters pertaining thereto.</p> <p>The BRMC comprise of six (6) Directors, the majority of whom are Independent Non-Executive Directors as set out on in the 2017 Annual Report.</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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>With the demerger of the Group with UMW Holdings Berhad, the Group has setup its own Internal Audit Department (“IAD”) in 2017 to undertake the Internal Audit function.</p> <p>The IAD audits internal control practices and reports significant findings to the Board Audit Committee together with recommended corrective actions. Management is responsible for ensuring that corrective actions are undertaken within an appropriate time frame.</p> <p>All findings by IAD are treated in strictest confidence. IAD is independent of the activities it audits and performs its duties with impartiality and due professional care.</p> <p>The BAC approves the internal audit plan of IAD for the Group each year. The scope of the internal audit covers the audit of principal areas of operations within the Group.</p> <p>Details of BAC activities are reported in Audit Committee Report in the 2017 Annual Report.</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

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>In ensuring independence of the function, Internal Audit &amp; Risk Management (“IARM”) was headed by Ms Chew Eng Hong (“Ms Chew”) for FY 2017 and she reports directly to the Chairman of the Audit Committee.</p> <p>IARM is also independent of the activities and processes, which it appraises to ensure it discharges its duties in an objective manner in supporting the AC.</p> <p>In performing its function, IARM has no direct responsibility or authority over any of the activities it reviews. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair auditor’s judgment.</p> <p>Ms Chew profile is disclosed under Key Management in the 2017 Annual Report. The IA function is carried out in accordance to the International Standards for the Professional Practices of Internal Auditing set by the Institute of Internal Auditors (IIA).</p> <p>In March 2018, she has been redesignated to Head, Corporate Transformation Office and at the same time, Puan Norzalizah binti Alias has been appointed as the Head of Internal Audit, upon her confirmation, she shall be included in the Key Management list for next year.</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 and management of the Group maintain effective and timely communications with its shareholders and stakeholders through the following channels, mediums and/or meetings:-</p> <p>The Company continues to actively and regularly engage stakeholders which comprises of investors, analysts, regulators, shareholders, the media and the general public. Communication initiatives include sharing the Group's quarterly interim performance and full year financial results which are disclosed to regulatory authorities and the media as well as on <a href="http://www.umw-oilgas.com">www.umw-oilgas.com</a>. The Company website has a dedicated webpage on IR at <a href="http://www.umw-oilgas.com/investor-relations/">http://www.umw-oilgas.com/investor-relations/</a>.</p> <p>In addition, the Company issues press releases, holds media conferences, interviews or analyst briefings and participates in industry roadshows and other stakeholder engagement activities. Both Board members and Senior Management are involved in these engagements. Working together with corporate communications, the investor relations functions provides strategic support in the planning and organisation of stakeholder engagement and communications across the year. The above details is disclosed in the 2017 Annual Report on pages 53 to pages 54.</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>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company's approach to sustainability is detailed in its Sustainability Report which is available via <a href="http://www.umw-oilgas.com">www.umw-oilgas.com</a> . Readers are encouraged to read the Sustainability report together with the Statement on Corporate Governance to gain a more in-depth view of the Group's approach to good governance. The above details are disclosed in the 2017 Annual Report on pages 50 to pages 78.	
<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 12.1**

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>The Company dispatches the notice of its Annual General Meeting (“AGM”) to Shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The additional time given to Shareholders is to allow them to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys.</p> <p>More importantly, it enables the Shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.</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

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>At the previous annual general meeting, all directors attended in person and personally addressed questions or issues raised by shareholders.</p> <p>The Chairman of the Board Committees were also present to address questions. These included the Chairman of the respective Committees.</p> <p>The Board and Senior Management also addressed questions received from the Minority Shareholders Watchdog Group.</p> <p>The Chairman also encouraged shareholders to take full use of the opportunity provided to ask questions and seek clarification on matters pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote.</p> <p>In addition to this, The President and relevant Senior Management were present to facilitate questions received from shareholders.</p> <p>At the 7<sup>th</sup> Annual General Meeting held on 15 May 2017 ("7<sup>th</sup> AGM"), the President also had delivered a presentation on the Company's business performance, its financial results, strategic initiatives and developments as well as future plans. Shareholders were also invited to submit additional questions at the venue of the 7<sup>th</sup> AGM so that these could be addressed in writing post meeting.</p> <p>In ensuring that Directors continue to attend general meetings called by the Company, the Company Secretaries shall continue to provide all meeting dates one (1) year in advance.</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>	:		
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**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>	:	Applied
<b>Explanation on application of the practice</b>	:	The Company's general meetings are not held in remote locations. The Company adopted electronic voting since its AGM held in 2017.  To encourage Shareholders participation, those Shareholders who are unable to attend the general meeting could appoint a proxy to represent and exercise their votes.
<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>	:	

**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.*

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