

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3042
COMPANY NAME : PETRON MALAYSIA REFINING & MARKETING BHD
FINANCIAL YEAR : December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	: <u>General</u> Arising from the resignation of an Independent Director on 8 February 2019, as at 31 December 2019, the Board has eight (8) members, with four (4) Independent Directors, one (1) Non-Executive Director and three (3) Executive Directors (including the Chairman). On 27 February 2020, a new Independent Director was appointed to the Board. With this we now have nine (9) Directors on the Board, of which five (5) – a majority – are Independent Directors <u>Board's Management of the Company</u> The Board forms the mind and management of the Company and leads the Company. To ensure that it is able to fulfil its obligations to the Company and to ensure proper management of the Company, the Board meets at least four (4) times a year, with additional matters resolved by way of circular resolutions as and when required. Special meetings of the Board may be called when necessary. Each Independent Director brings invaluable judgment and skills to bear on issues of strategy, performance, resource allocation, risk management and standards of conduct. Balance in the Board is achieved and maintained with the composition of both Executive, Non-Executive and Independent Directors. In recognition that the Independent Directors have a primary role in providing unbiased and independent views, the Company has selectively appointed highly qualified individuals of integrity and character, with broad experience and proven business and management expertise. Currently, Y. Bhg. Dato' Zainal Abidin Putih is the longest serving Independent Director of the Company. Although he has not been formally appointed as the Senior Independent Director, shareholders

are at liberty to approach Y. Bhg. Dato' Zainal Abidin Putih, or any of the other Independent Directors, to seek clarification should they have any queries or concerns relating to the Company and its Management. This would be in addition to the ability of the shareholders and other stakeholders directly contacting the Executive Directors or Senior Management. By engaging the Independent Directors, the Management is able to elicit their views and benefit from the Independent Directors' vast experience and expertise in various fields of business including the downstream oil & gas business. The engagement with the Independent Directors also enables the Company to manage Minority Shareholders' expectation that their rights continue to be protected.

The strategic plans of the Company and the operating plans for the year to grow the business, including the key factors taken into consideration in determination of the plans, are considered and approved by the Board. Approval by the Board is also obtained for the Company's budget. The progress of plans and budget as approved, are reviewed midyear (following an internal mid-year review at Senior Management level) with adjustments made where deemed necessary. Adherence to the budget is also monitored in conjunction with the periodic review of the financials.

The key to the strategic plans of the Company is long-term sustainability. The success of the Company (and indeed its rate of expansion in the downstream oil & gas business in Malaysia) since 2012 is reflected by:

- the Company's rapid growth in the market as a major oil & gas company;
- the successful establishment of the 'Petron' brand in the Malaysian market, leading to the Company winning awards such as the 'Putra Brand Awards';
- the introduction of innovative products such as the only RON100 gasoline in Malaysia and the high-end Turbo Diesel Euro 5 fuel;
- the strong financial position of the Company;
- the Company's consistent market capitalisation and healthy dividend pay outs, that benefits the shareholders of the Company via healthy yields in investments;
- Acquiring a Palm Oil Methyl Ester(POME) production plant to secure the Company's access to this mandated diesel additive; and
- Upgrading the Port Dickson Refinery to meet the Euro 5 standards in relation to diesel

All this was done whilst maintaining an impeccable safety record with the Company's terminals having operated over twenty-three (23) years without any lost time injury.

Apart from the adoption of the Company's Vision and Mission

Statements (adopted in 2012), to drive the Company's growth, the Company issued the Value Handbook in 2016. Entitled "ExCITES", it incorporates key values that will ensure the Company's success and long term sustainability. ExCITES stresses on six (6) key values namely: Excellence, Customer Focus, Innovation, Teamwork, Ethics and Safety.

While the ExCITES project was driven by Management, it was the employees who formed, planned and executed the project as part of a cross functional Department team effort. This move to empower the employees, and ensured that they take ownership of and help drive the values. In 2019, the ExCITES programme was 'refreshed' with the infusion of additional teamwork emphasis to strengthen comradery in the workforce to enable the Company to achieve its long-term goals and ambition.

The Board recognises that the business of the Company is one that has a moderate to high level of risk in terms of business, financial, economic outlook, environmental, safety and community/social risks. These are at all times kept in mind in planning and executing any venture that is to be undertaken by the Company. The Board nevertheless acknowledges that it is there to manage a business and risks (as in all businesses) are inherent part of the business. The Board recognises that identifying and adopting solutions to manage those risks is imperative in business and finding a successful balance between managing risks and promoting the business objectives of the Company is a consideration the Board fully recognises as necessary for its sustainability.

The Board and Management

The Board in ensuring the success of the Company's plans and operations, has in place a highly energetic and motivated team of Senior Management personnel (that form the Management Committee). This Committee is led by the Chief Executive Officer and supported by the General Manager of Petron in Malaysia. The Management Committee is comprised of a mix of Malaysian personnel as well as senior personnel seconded from the parent company (Petron Corporation) each of whom have impeccable qualifications, vast experience in the industry and the management skills necessary to deliver on the plans and objectives of the Company. Each key department is headed by a Head of Department with personnel identified and groomed to eventually succeed the Head of Department as part of the succession plan. This is part of an on-going review and the plans include rotation of the personnel's assignment to various functions within the Company to gain experience and exposure on the overall business and management of the Company.

Effective Stakeholder Communications

The Company has written guidelines on shareholders communication that are incorporated in the Company's Corporate Communication and

	Disclosure Guidelines that can be accessed on the Company's website. The guidelines also incorporate the parent company's best practices on all matters pertaining to communication, be it with shareholder or other stakeholders.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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

Application	: Applied
Explanation on application of the practice	<p>The Chairman of the Board, Mr. Ramon S. Ang, was appointed by the Board on 2 April 2012 upon the take-over of the Company by Petron Corporation on 31 March 2012, a takeover that he was instrumental in driving.</p> <p>Mr. Ang is the President of the ultimate holding company, San Miguel Corporation and is also Chief Executive Officer of parent company, Petron Corporation. With his senior executive positions at the group level, he has and continues to provide the vision and executive leadership that has in a span of some eight (8) years since the takeover, led the Company to its present success as a major downstream oil & gas company in Malaysia.</p> <p>Mr. Ang in his capacity as Chairman of the Board, reviews and approves the Agenda for every Board meeting. Similarly, all Board papers and Board resolutions (including those completed via circulars) are reviewed and approved in order that the papers and resolutions meet the needs of the Board in relation to information necessary for the Board to make a determination. As Chairman, with the assistance of the Company Secretary, he ensures that the relevant Board papers are disseminated to the Directors in advance of the Board meetings to enable the Directors to read, understand, evaluate and raise issues for discussion or clarification, before a determination is made by the Board. As a general rule, the Board papers are disseminated at least five (5) days before a meeting.</p> <p>The Chairman chairs meetings of the Board (and leads the Board at the Annual General Meeting). The Chairman seeks the input from members of the Board and encourages members of the Board to express their views; even where the views may be divergent to the proposal moved by Management with the support of the Executive Directors.</p> <p>The Chairman strongly believes in unanimous decisions by the Board as Directors take collective responsibility for decisions. As a general practice, where there is divergence in views, the matter will be referred by the Chairman to Management for a further review (to take</p>

	<p>into consideration views expressed by Board members) and for Board to make a determination at a later date.</p> <p>As a further measure to encourage active discussions in a candid manner (without the presence of the Chairman at such discussion), as a general practice, matters that are referred to the Board (be it for approval or notation) are first reviewed by either the Board Audit & Risk Management Committee (or where within its purview, the Nominating Committee). Discussions and views expressed at these meetings are then shared with the Board.</p> <p>The Chairman in his capacity as an Executive Director (along with the other Executive Directors) is actively involved in the day-to-day management issues especially where they relate to strategic acquisitions or disposals, major procurement issues and plans for business development. The Chairman is also provided an extensive management and business update monthly by Management, from which Management receives instructions from the Chairman on expectations.</p> <p>The Chairman reviews plans by Management in engaging stakeholders and shareholders. Communication plans and proposed meetings (for example with potential investors, plant visits requests, visits by regulators and other Government officials) including plans on discussion and presentation to shareholders during general meetings, are reviewed with the Chairman. The aim is to provide meaningful information to the shareholders and stakeholders whilst seeking to avoid providing information that may be confidential or business sensitive that could prejudice the Company and its interests.</p> <p>To ensure adherence with the governance requirements, the Chairman ensures that the Board is provided updates on all new laws and regulations pertaining to corporate matters including governance. This in turn enables the Directors to ensure that the Company and Management not only adhere to the requirements on governance but also continue to practice the well-entrenched principles and policies of its Code of Conduct in managing the Company as a well-managed and sustainable business entity. Directors are also encouraged to attend additional training programmes, details of which can be viewed in Part D of this Corporate Governance Overview Statement.</p> <p>The Chairman of the Board will not also hold office as Chairman of the Board Audit & Risk Management Committee at the same time.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The position of Chairman and Chief Executive Officer are held by different persons. Mr. Ramon S. Ang is the Chairman of the Board. He is also an Executive Director. Mr. Lubin B. Nepomuceno is the Chief Executive Officer. He is also an Executive Director and the Chairman of the Management Committee that is tasked with the day-to-day operational management of the Company.</p> <p>The separation was implemented in 2013 as recommended by the then Malaysian Corporate Governance Code 2012. The Company and the Board will continue with this practice. The separation in offices is also expressly stated in the Board Charter. The Board Charter further specifies the separate roles and responsibilities of the Chairman and the Chief Executive Officer.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has full access to the service and advice of the Company Secretary.</p> <p>The Company Secretary, who is also the General Counsel of the group of Petron companies in Malaysia and a member of the Management Committee, has over 30 years of experience in legal matters and over 23 years of experience as a Company Secretary including that pertaining to a public listed company. He has been the Company Secretary of the Company since 2006.</p> <p>The Company Secretary is responsible for all arrangements in relation to Board Committee meetings, Annual General Meetings (including preparing and maintaining minutes thereof), Annual Reports, as well as ensuring the Company's timely and accurate disclosure to BMSV and ensuring adherence to the Company's Constitution, compliance by the Company with MMLR and other securities and corporate laws and regulatory requirements.</p> <p>The Company Secretary is responsible for the compilation and dissemination of the Board and Committee files to the Directors in a timely manner. As a general rule, the files are disseminated at least five (5) days before the meeting.</p> <p>The Company Secretary (in his role as General Counsel) is responsible for the overall corporate compliance by the Company and its Directors (including in relation to the Company's Code of Conduct). He provides advise to the Board on new legal or quasi-legal requirements on governance, including that relating to the Companies Act 2016, the Malaysian Code on Corporate Governance 2017 and the Listing Requirements and spearheads the Company's plans to manage the impact of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 that will be enforced on June 1, 2020. He further provides the Directors with information on available training to ensure Directors undergo continuous training that can enhance their ability to discharge their duties to the Board and Company.</p>

	The Company Secretary is also the focal point for all investor related queries and manages requests for meeting and information, in collaboration with other relevant Departments in the Company.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.5

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

Application :	Applied
Explanation on application of the practice :	<p>Information regarding the Company's business and affairs are normally provided to the Board by the Company's Management and staff. Towards meeting this objective, Board and Committee meetings are structured with a pre-determined agenda. Board and Committee papers covering the Company's operational and financial performance, strategic plans on any significant matters and developments, together with the minutes of the previous Board and Committee meetings, are circulated to the Directors (or Members of the Committee, as the case may be) in advance of each meeting. This allows the Directors time to study and deliberate on the issues to be raised and discussed at each meeting.</p> <p>As a general practice, the Board and Committee papers are circulated to the Directors at least five (5) days prior to the date of the meeting. Where there are any subsequent changes to the papers, these are brought to the Directors' attention at the first reasonable opportunity.</p> <p>Where a Director is unable to attend a Board or Committee meeting, arrangements will be made for the Director to be briefed by Management on matters to be tabled before the Board or Committee and the said Directors views will be informed to the Board or Committee (as the case may be) during the meeting. This is done to ensure that all Directors views are taken into account in any deliberation.</p> <p>The Board and Committee meetings can also be attended by the Directors via video or tele-conferencing in the event that they are unable to attend a meeting in person due to some unavoidable circumstances.</p> <p>Notes of the meeting are taken contemporaneously during the Board or Committee meetings. As a general rule, draft minutes are prepared within two (2) weeks of the meeting and following internal reviews are forwarded to the Directors for their comments and suggested amendments. These suggestions are incorporated or edited into the draft and filed for subsequent confirmation at the next meeting of the</p>

	Board or Committee as the case may be.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies—

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	: Applied
Explanation on application of the practice	<p><u>The Board Charter</u></p> <p>The Company has a Board Charter that has been in place since 1974 and is periodically updated. The most recent update was on 24 May 2016. The Board Charter had in 2018, undergone further revisions to meet the requirements of the CG Code 2017.</p> <p>In 2016, as an avenue to communicate the Company's approach to important governance practices, the Company formalised its Board Charter and made it public by providing access to it on the Company's website. The Board Charter deals with its purpose, authority, role of the Board, the Board Committees, the relationship between the Board and Management, responsibilities specifically reserved for the Board and the Board's other responsibilities, the Board composition, the individual roles of the Chairman and the Chief Executive Officer, annual assessment of the Board, Board Committees and individual Directors, tenure of Independent Directors, annual election/re-election of Directors, Directors' responsibilities in relation to the Board and Board Committees, meetings of the Board, minutes and review of the Board Charter. Whilst the Board has not appointed a Senior Independent Director, relevant provisions was incorporated into the Board Charter as part of the 2018 review.</p> <p>However, recognising that the Board cannot manage day to day operational matters, necessary delegation of authority by the Board (as is permitted by law and the constitution of the Company) is in place. Such delegation of authority, as adopted by the Board, acts to identify the roles and responsibilities of the Management Committee and individual Management personnel, as well as the relevant level of authority that has been delegated by the Board. The Board Charter and the Management Committee Charter are reviewed periodically by the Board and updated as necessary. Both the Board Charter and the Management Committee Charter, was reviewed in 2018. Changes to</p>

	<p>the delegation of authority to individual Management personnel are reviewed at quarterly meetings by the Board Audit & Risk Management Committee and approved by the Board.</p> <p>For day to day operational management purposes, there is a Management Committee – whose members are appointed by the Board. The Management Committee is headed by the Chief Executive Officer. The powers of the Management Committee are spelt out in the Management Committee Charter. The Management Committee Charter can be viewed on the Company’s website. All matters that are not within the purview of the Management Committee (per the Management Committee Charter) are powers specifically reserved for the Board. The Management Committee Charter was last reviewed and amended in April 2012 and reviewed again in 2018 in conjunction with amendments to the Board Charter.</p>	
<p>Explanation for departure</p>	<p>:</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>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has a written Code of Conduct in place that can also be accessed on the Company's website www.petron.com.my.</p> <p>The Code of Conduct contains policies and systems designed to create and support a strong system of corporate governance. The Code of Conduct has been communicated to the Company's employees, contractors and vendors, so that they have a clear understanding of the Company's requirements. These include policies on business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships. The Code of Conduct was updated in 2017 to incorporate revised guidelines issued by the parent company in relation to enhanced restrictions on receipt of gifts. Periodic training is also carried out for employees, contractors and vendors to ensure understanding of the requirements. Standard contracts of the Company (including employment contracts and contracts with third party vendors/contractors), also incorporate key provisions of the Code of Conduct as standard terms in such contracts, thus, ensuring the Code of Conduct will be adhered to at all times. All employees of the Company have undergone training on the Standards of Business Conduct and new hires are required to undergo a comprehensive and compulsory training on the Standards of Business Conduct. Such training for new hires is conducted twice yearly. In 2018, a 'refresher' training programme on the Code of Conduct was implemented for all employees.</p> <p><u>Anti-Corruption Initiatives</u></p> <p>As part of the Company's preparation in addressing its corporate liability for bribery and corruption offences under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (expected to be effective in June 2020), PMRMB and its sister companies in Malaysia have undertaken the following steps:</p>

	<ul style="list-style-type: none"> • Commencement in December 2019 of a series of training to inform the employees of the impact of the new law, not only to the employees, but also the corporate liability risk to the company and its Directors and senior management. The trainings will continue in 2020 to ensure all employees are trained on what is expected of them in helping to implement the Company's requirements and the expected behaviour from each employee. The training sessions continued via an on-line system even during the Movement Control Order arising from the CID19 pandemic. • The adoption of the ultimate parent company San Miguel Corporation's policy on gifts and entertainment. This is to be read together with the existing provisions contained in the Company's Standards of Business Conduct. • A review of the current provisions in the Standards of Business Conduct on 'whistle-blower' protection. • Enforcement of a Petron Malaysia based declaration and review/approval process, in relation to minor exceptions (for reasonable business-related entertainment and low value festive gifts). • The preparation of a manual to include the Company's policy, action-plan, implementation processes flow, approval processes for exceptions. • Upon completion of the implementation process (including company-wide training and review of processes post implementation), to prepare for and apply for an ISO37001 certification (Anti-bribery Management System). <p>Whilst the Company (and its sister-companies) have an excellent record for their 'zero' tolerance' on corruption and strict adherence to its policies on gifts and entertainment, the continued reinforcement of the Company's policy and expectation through regular training and reminders will be reinforced periodically and especially during festive season. Continued training and communication on the Company's expectations will be used as a means to reinforce the Company's anti-corruption stand.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>A key factor toward ensuring that the Code of Conduct is effective, is the flow of information to Management of any violations or purported violations. The Code of Conduct provides for 'whistle-blower' protection.</p> <p>In order for such information to be forthcoming, the employees are (as part of their training on the Code of Conduct) provided guidance on how they should report violations and are given assurance of the protection of 'whistle-blowers'.</p> <p>All investigations are carried out expeditiously and confidentially by the relevant Head of Department and all such investigations are conducted with the support of the offices of the General Counsel and Human Resources Department. The process for any investigations on purported misconduct will be carried out in accordance with the Company's written guidelines on managing misconduct. Where there is any conflict of interest that can impact an independent investigation, the services of the Internal Audit Department can be sought.</p> <p>The policies on protection of 'whistle-blowers' and conveying the assurance of 'whistle-blowers' protection was reinforced during the 'refresher' training programme for employees in 2018.</p> <p>A new Whistle-Blower Policy is also to be introduced in 2020 for purposes of strengthening the Company's stand against any and violations of the Code of Conduct.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>Arising from the resignation of an Independent Director on 8 February 2019, as at 31 December 2019, the Board has eight (8) members, with four (4) Independent Directors, one (1) Non-Executive Director and three (3) Executive Directors (including the Chairman).</p> <p>On 27 February 2020, a new Independent Director was appointed to the Board.</p> <p>The Company recognises the value of having a majority of Independent Directors on the Board as their diverse qualifications, experiences, skills and abilities to provide a ‘cold-eye’ critical review of Management’s proposals and presentations, will help the overall management of the Company and allow the Company’s strong governance process to continue improving.</p> <p>As at the end of the 2019, the Board did not have a majority of Independent Directors. However, on 27 February 2020, with the appointment of a new Independent Director to the Board, the Board once again is now comprised of a majority of Independent Directors (as well as meeting the minimum of thirty per cent (30%) Directors on the Board) thus meeting the recommendations of the CG Code 2017 in regard to the Board composition.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied - Two Tier Voting
Explanation on application of the practice	:	<p>Independent Director, Y. Bhg. Dato' Zainal Abidin Putih, who is also the Chairman of the Board Audit & Risk Management Committee, has exceeded a tenure of twelve (12) years on the Board. The Company recognises the rationale for the imposition of a twelve (12) year tenure limit as familiarity with main shareholders, executive directors and Senior Management may, over a long duration, impinge upon the Independent Directors' ability to objectively and independently discharge their roles and responsibilities.</p> <p>The Company, however wishes to highlight that whilst Y. Bhg. Dato' Zainal may have joined the (then Esso Malaysia Berhad) Board in 2003, the Board and Senior Management of the Company, had substantially changed with the takeover by Petron in 2012.</p> <p>The Company further takes the view that, the guidance of an experienced and respected Independent Director such as Y. Bhg. Dato' Zainal Abidin Putih, with his impeccable reputation and vast knowledge and understanding of the Company's business, will benefit the Company and the Executive Directors in furthering the successful implementation and plans for the development and sustainability of the Company's business. Y. Bhg Dato' Zainal Abidin Putih's stellar reputation in the corporate world and in the accounting/auditing profession, coupled with his vast knowledge and experience, enables him to continue to provide the Independent Directors, and the Board as a whole, with wise counsel and at the same time ensure the interest of the Company and the interest of minority shareholders are well protected.</p> <p>Y. Bhg. Dato' Zainal Abidin Putih's presence on the Board will also enable him to assist the Company in the selection and training of his eventual successor as Chairman of the Board Audit & Risk Management Committee.</p>

	The election process for Y. Bhg. Dato' Zainal Abidin Putih at the 2020 Annual General Meeting, will follow the 'two-tier' voting system prescribed by the CG Code 2017 as the necessary amendments to the Company's Constitution had been approved at the 2019 Annual General Meeting. The voting on Y. Bhg. Dato' Zainal Abidin Putih's re-appointment will be conducted by poll.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	The Board in its revision to the Board Charter in 2018 has adopted the limitation in the cumulative tenure of an Independent Directors to nine (9) years. However, the Board Charter also adopts the exception to the rule in the Malaysia Code on Corporate Governance 2017 on the process of voting to be adopted if such an Independent Directors is to seek a further term in office as an Independent Director.

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors is currently comprised of persons with a diverse range of qualifications, experience and skills. These include qualified engineers, accountants, a banker and a lawyer, with diverse experience including in the downstream oil & gas industry, banking, corporate advisory, finance and venture capital work, all of which brings to the Board a diverse pool of highly talented individuals who are able to critically review and provide the Board and Senior Management candid views and advice on the strategy, business plans, operations, finance, products and other areas including customer relations and marketing. Their diverse cultural backgrounds - Malaysian and Filipino - provide the Board with a balance of understanding in managing the expectations of the stakeholders and, at the same time, the Company's business needs.</p> <p>As at 27 February 2020, the Board is comprised of nine (9) members of whom three (3) are women Directors. Of the three (3) women Directors, two (2) are Independent Directors (one of whom is also the Chairperson of the Nominating Committee) and one (1) Executive Director.</p> <p>In regard to selection of candidates for Board appointments, the Board does not rely only on the Board members but also external consultants to recommend potential candidates for appointment to the Board.</p> <p>Of the six (6) Directors appointed to the Board since the takeover by Petron in 2012, three (3) were proposed by Directors, one (1) was proposed by Management and two (2) by a consultant. In each case there is extensive review undertaken (including an interview) before the candidate is proposed for consideration.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter and the Nominating Committee Terms of Reference can be found on the Company's website at www.petron.com.my. The Company's Diversity Policy can also be found in the same website.</p> <p>The Board Charter specifies that the Board will at all times endeavour to ensure that at least thirty per cent (30%) of the Directors of the Company are women. The Company has practiced the same for many years. The Company also does not seek to look at the thirty per cent (30%) as a target but a minimum number and when considering appointment of new Directors, also seek to give preference to women directors. Since 2012 following the takeover of the Company by Petron, two (2) male Independent Directors have retired and the Company has engaged since then five (5) new Independent Directors; three (3) of whom are women, one (1) of whom was also appointed as the Chairperson of the Nominating Committee. One (1) of the woman Independent Directors left the Board in February, 2019.</p> <p>The Company's Code of Conduct, called the "Standards of Business Conduct", specifies that the Company is an equal opportunities employer and does not discriminate on gender, race or religion in relation to employees, including in relation to hiring and promotions.</p> <p>The Company operates purely on a merit-based process in determining hiring and promotions. Gender plays no role whatsoever in the process. For instance, the Company engaged women managers to replace the men in key positions such as the Head of Refinery and the General Manager.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nominating Committee is responsible for the recommendation of candidates for Independent, Non-Executive and Executive Directors and the recommendation of Directors for Board Committees, for the Board's consideration and decision.</p> <p>The Board sees the need to have a proper mix of talent on the Board that will support the objectives of the Company. Being able to be analytical, provide constructive views and even criticism and provide guidance from their own experience and knowledge is what leads to the Board making a proper decision in the best interest of the Company.</p> <p>Despite its diversity, the Board works well together and as a team in seeking to achieve the Company's goals. The Board however in selecting candidates is mindful of the various factors including qualifications, experience, skills, time to devote to the Company as a Director and equally important, the person's character, for there to be boardroom harmony.</p> <p>In regard to selection of candidates for Board appointments, the Board does not rely only on the Board members but also external consultants to recommend potential candidates for appointment to the Board.</p> <p>Of the six (6) Directors appointed to the Board since the takeover by Petron in 2012, three (3) were proposed by Directors, one (1) was proposed by Management and two (2) by a consultant. In each case there is extensive review undertaken (including an interview) before the candidate is proposed for consideration.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied
Explanation on application of the practice	:	The Nominating Committee is comprised of 3 Directors of whom two (2) are Independent Directors and one (1) a Non-Executive Director. The Chairperson of the Nominating Committee is an Independent Director. The Committee Members are: (1) Ms Chua See Hua (Chairperson/Independent Director); (2) Y. Bhg. Dato' Zainal Abidin Putih (Independent Director); and (3) Mr Ferdinand K. Constantino (Non-Executive Director)
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>For the annual evaluation, the Nominating Committee considered amongst others, the roles played by Directors (individually and as a group) during the year. The Nominating Committee also considered its role in charting the course for the Company, setting out the strategic plans for the Company and stewarding the implementation process. The Nominating Committee also reviewed other matters such as trainings attended, attendance record at meetings (including their respective participation) as well as their level of compliance with legal requirements, including the Main Market Listing Requirements (MMLR).</p> <p>A customised evaluation survey as recommended by the Nominating Committee and approved by the Board in 2014 was used for the 2019 annual evaluation. The survey comprises five (5) sets of form of questionnaires required to be completed by the respective Directors evaluating, by self-assessment and/or peer-assessment, in relation to (i) the independence of the Independent Directors (ii) the performance of the Board Committees (iii) the performance of the Board (iv) the Board members' skills sets and (v) the Directors' performance and contribution to the Board.</p> <p>The 2019 annual evaluation was completed in January 2020 and the results were presented to the Nominating Committee and the Board on 27 February 2020. A summary of the results are as follows:</p> <ul style="list-style-type: none">• Independent Director's 'Independence' – All five (5) Independent Directors meet the necessary criteria for 'independence' and they are in compliance with the 2017 Corporate Governance Code• Board Committee Evaluations – There were no adverse findings and the average rating of the Audit Committee was 4.88 (out of a maximum of 5.0) and the Nominating Committee's average rating was 4.96 (out of a maximum of 5.0). The ratings are an increase from the ratings in 2018.

	<ul style="list-style-type: none"> • Board Evaluation – The ratings received indicated an overall average of 4.75 (out of a maximum of 5.0) indicating ‘Consistently Good’. This is also an increase from the ratings in 2018. • Board Skill Evaluation (Peer Assessment) – The Directors were rated between 4.61 and 4.91 (out of a maximum of 5.0), again indicating that, on the average, each Director was ranked as ‘Consistently Good’; similar to the ratings in 2018. • Performance Evaluation (Self-Assessment and a Peer Assessment by each Director) – Each Director was rated between 4.74 and 4.93 (out of a maximum of 5.0), again indicating that, on the average, each Director was ranked as ‘Consistently Good’ indicating consistency with ratings in 2018. <p>The evaluation in relation to the independence of the Independent Directors indicated that all the Independent Directors fulfilled all the necessary requirement of independence, under the MMLR.</p> <p>One (1) of the Independent Directors namely Y. Bhg. Dato’ Zainal Abidin Putih has exceeded the recommended nine (9) cumulative years in office but his continued presence on the Board, approved at the preceding Annual General Meeting, also fulfils the necessary requirements as recommended by the Malaysian Corporate Governance Code 2017.</p> <p>The Board was satisfied with the results of the other evaluations, which showed the Directors, the Board Committees and the Board having achieved overall ratings of ‘Consistently Good’ and noting that the Board composition has the right mix of skills and experience and has individuals of integrity.</p> <p>The evaluation results were also used by the Nominating Committee in considering and determining its endorsements in relation to the re-election of retiring Directors. In this regard, the Nominating Committee endorsed to the Board on 27 February 2020:</p> <ul style="list-style-type: none"> (a) the re-appointment of Y. Bhg Dato’ Zainal Abidin Putih as an Independent Directors for another one (1) year term; (b) the re-election of Independent Directors, Mr. Fong Seow Kee and Mr. Antonio Martin Cailao; and (c) the election of (newly appointed) Independent Director, Y. Bhg. Dato’ Noorizah Binti Hj Abd Abdul Hamid.
<p>Explanation for departure :</p>	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has policies in place in regard the determination of the Independent Directors Remuneration. These are stated in the Board Charter as follows:</p> <p>“The Board shall be responsible for the annual review and recommendation to shareholders (for approval at the Annual General Meeting) on the benefits payable to Independent Directors. In this regard, the Board:</p> <ul style="list-style-type: none">• shall have a fair and transparent process to annually review the benefits;• as part of the review, shall also take into account Independent Directors' contribution towards the success of the key strategic initiatives and the performance of the Company;• in reviewing the benefits, will also bench-mark the proposal against benefits offered by other (similar) entities, as appropriate, based on available data or industry studies; and• in reviewing the benefits, will consider the need to attract to and retain Independent Directors on the Board. <p>Independent Directors on the Board may provide their input to the Board on any proposal regarding the benefits but shall otherwise abstain from any decision-making process at the relevant Board Meeting that decides the said recommendation to be made to shareholders.”</p> <p>The Board does not have a policy in place for the remuneration of the Executive Directors as the Executive Directors do not receive remunerations from the Company. The Remuneration Committee also plays no role in relation to the remunerations received by Senior Management Personnel. Each Senior Management Personnel on the Management Committee are regular employees who individually undergo an annual performance appraisal conducted by their superiors. These appraisals, determination of ratings and the resulting</p>

	<p>level increments and performance bonus (if any) are conducted and determined independent of the said Senior Management Personnel.</p> <p>This process includes reviews by the Chairman and Executive Directors. Each Senior Management personnel has no control over the determination of the appraisal results, or changes in their remunerations following from the said appraisal process</p>	
<p>Explanation for departure</p>	<p>:</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>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</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 6.2

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company is in a unique position in that the Executive Directors (that include the Chairman as well as the Chief Executive Officer) and the Non-Executive Director appointed by the major shareholder, do not receive remunerations from the Company. This is by virtue of the fact that they are Directors and/or senior executives of the parent company and restrictions/internal policies therein.</p> <p>As such the only Directors who receive benefits from the Company (such as fees and allowances) are Independent Directors of the Company. The Independent Directors on the erstwhile Remuneration Committee also do not review the remunerations paid to senior management, all of whom are regular employees and who each undergo an annual performance evaluation where they have no say on the outcome of the evaluation or the determination in relation to any increments, bonuses or even promotions.</p> <p>The Independent Directors therefore formed the view that for the Remuneration Committee to be solely considering and recommending their own remuneration may give rise to potential conflict of interest.</p> <p>The Remuneration Committee also played no role in relation to the remunerations received by Senior Management personnel.</p>
		<p><u>Remuneration of the Board</u> Based on the recommendation of the Independent Directors, Board at</p>

	<p>its meeting on August 22, 2014, determined to disband the Remuneration Committee. the Board of Directors assumed the role of the Remuneration Committee and manages the role by assuming the charter and procedure of the Remuneration Committee.</p> <p>The Board reviews and makes recommendations on the Independent Directors Fees for approval at the Annual General Meeting. The Independent Directors during deliberations at the Board Meeting may be asked to provide their views but would otherwise abstain from any other discussion or voting regarding such proposal.</p> <p><u>Remuneration of the Management</u> Each Senior Management personnel on the Management Committee are regular employees who individually undergo an annual performance appraisal conducted by their superiors. These appraisals, determination of ratings and the resulting level increments and performance bonus (if any) are conducted and determined independent of the said Senior Management personnel. This process includes reviews by the Chairman and Executive Directors. Each Senior Management personnel has no control over the determination of the appraisal results, or changes in their remunerations following from the said appraisal process.</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>Measure</p>	<p>: Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<p>Timeframe</p>	<p>: Choose an item.</p>

Intended Outcome

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

Practice 7.1

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

Application :	Applied																																															
Explanation on application of the practice :	<p>As approved by the Shareholders at the Annual General Meeting on 13 June 2019, the benefits paid to the Independent Director for 2019 are as follows:</p> <ul style="list-style-type: none"> • an Annual Fee of RM78,000 per Independent Director; • attendance allowance of RM3,000 for the Independent Directors who are Chairpersons of the Board Audit & Risk Management Committee and the Nominating Committee; • an attendance allowance of RM2,500 for each other Independent Director. The attendance allowance is for each meeting attended by the Independent Director; • a fuel reimbursement of up to RM700 per month for each Independent Director; and • an ex-gratia payment of RM15,000 each for each Independent Director who served a full term in 2018 <p>An analysis of the remuneration paid by the Company to the Independent Directors for the financial year ended 31 December 2019 is set out below:</p> <table border="1"> <thead> <tr> <th rowspan="3">Independent Directors</th> <th>RM</th> <th colspan="2">RM</th> <th>RM</th> <th>RM</th> </tr> <tr> <th rowspan="2">Directors' Fees</th> <th colspan="2">Allowance</th> <th rowspan="2">Fuel Reimbursement</th> <th rowspan="2">Total</th> </tr> <tr> <th>Attendance Allowance</th> <th>Ex-Gratia Benefits</th> </tr> </thead> <tbody> <tr> <td>Y. Bhg. Dato' Zainal Abidin Putih</td> <td>78,000.00</td> <td>33,000.00</td> <td>15,000.00</td> <td>3,675.42</td> <td>129,675.42</td> </tr> <tr> <td>Ms Chua See Hua</td> <td>78,000.00</td> <td>33,000.00</td> <td>15,000.00</td> <td>3,258.40</td> <td>129,258.40</td> </tr> <tr> <td>Mr Fong Seow Kee</td> <td>78,000.00</td> <td>22,500.00</td> <td>15,000.00</td> <td>7,532.67</td> <td>123,032.67</td> </tr> <tr> <td>Mr Antonio M. Cailao</td> <td>78,000.00</td> <td>22,500.00</td> <td>15,000.00</td> <td>10,360.92*</td> <td>125,860.92</td> </tr> <tr> <td></td> <td>312,000.00</td> <td colspan="2">171,000.00</td> <td>24,827.41</td> <td>507,827.41</td> </tr> </tbody> </table>					Independent Directors	RM	RM		RM	RM	Directors' Fees	Allowance		Fuel Reimbursement	Total	Attendance Allowance	Ex-Gratia Benefits	Y. Bhg. Dato' Zainal Abidin Putih	78,000.00	33,000.00	15,000.00	3,675.42	129,675.42	Ms Chua See Hua	78,000.00	33,000.00	15,000.00	3,258.40	129,258.40	Mr Fong Seow Kee	78,000.00	22,500.00	15,000.00	7,532.67	123,032.67	Mr Antonio M. Cailao	78,000.00	22,500.00	15,000.00	10,360.92*	125,860.92		312,000.00	171,000.00		24,827.41	507,827.41
Independent Directors	RM	RM		RM	RM																																											
	Directors' Fees	Allowance		Fuel Reimbursement	Total																																											
		Attendance Allowance	Ex-Gratia Benefits																																													
Y. Bhg. Dato' Zainal Abidin Putih	78,000.00	33,000.00	15,000.00	3,675.42	129,675.42																																											
Ms Chua See Hua	78,000.00	33,000.00	15,000.00	3,258.40	129,258.40																																											
Mr Fong Seow Kee	78,000.00	22,500.00	15,000.00	7,532.67	123,032.67																																											
Mr Antonio M. Cailao	78,000.00	22,500.00	15,000.00	10,360.92*	125,860.92																																											
	312,000.00	171,000.00		24,827.41	507,827.41																																											
Explanation for departure :																																																

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	: Departure
Explanation on application of the practice	:
Explanation for departure	: <p>The top six (6) Senior Management personnel for this reporting are:</p> <ul style="list-style-type: none"> • Mr. Lubin B. Nepomuceno (Chief Executive Officer) • Pn. Faridah Ali (General Manager) • Ms. Fadzilah Mohd Tahir (Head of Refinery) • Mr. Mark Tristan D. Caparas (Chief Finance Officer) • Mr. Choong Kum Choy (Head of Retail & Commercial Business) • Mr. Manoj Devadasan (General Counsel / Company Secretary / HR Manager) <p>Two of the above Senior Management personnel, namely the Chief Executive Officer and Chief Finance Officer, are employees of Petron Corporation. The Chief Finance Officer is seconded to Petron in Malaysia. Due to privacy requirements, the Company opts not to disclose the components of their remunerations.</p> <p>The total remunerations of the top six (6) Senior Management (attributable to the Company) is RM2,995,935.</p> <p>In relation to the above total remunerations paid to the said Senior Management personnel, the following is to be noted:</p> <ul style="list-style-type: none"> • Like all staff, the top six (6) Senior Management personnel, may be employees of the parent company or a sister company, that provides service to Petron Malaysia Refining & Marketing Bhd via agreements to share resources. The sum of stated above is that attributable to Petron Malaysia Refining & Marketing Bhd. The percentage employed is based on a pre-determined service sharing ratio that would vary depending on the function that they serve. This service sharing ratio may be updated as needed for changes in activity level within each affiliated company. • The sum is inclusive of salaries, fixed allowances and bonuses

	<p>paid in 2019. The Company does not provide any share option scheme for Senior Management personnel.</p> <ul style="list-style-type: none"> • The total bonuses paid in 2019 comprised of: <ul style="list-style-type: none"> - Two (2) months contractual bonus as per the regular employment terms for the Senior Management personnel; and - An ex-gratia of RM4,000 paid to all employees of Petron in Malaysia for 2019 (and paid in 2020). This sum is reduced from the ex-gratia for 2018 (paid in 2019) of one (1) month base salary. The ex-gratia payment is paid based on the Senior Management personnel's and the Company's financial performance for the year.
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>: Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<p>Timeframe</p>	<p>: Choose an item.</p>

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	The Chairman of the Board Audit & Risk Management Committee is Y. Bhg. Dato' Zainal Abidin Putih. He is not the Chairman of the Board of Directors. The Chairman of the Board of Directors is Mr. Ramon S. Ang
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied
Explanation on application of the practice	:	<p>The policy on such restriction is stated in the Company's Board Charter that can be viewed on the Company's website at www.petron.com.my. The restriction was inserted as part of the amendments to the Board Charter arising from the Malaysian Corporate Governance Code 2017.</p> <p>As a general practice, the Company does not appoint former partners of its external audit firm(s) to become a Director on the Board. This is done to ensure that there is sufficient separation between the functions of the external auditor and the Board as well as the Board Audit & Risk Management Committee and avoiding any undue influence on the Board in relation to the financials.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The external auditor's fees are reviewed and endorsed by the Board Audit & Risk Management Committee before being tabled to the Board for approval. Similarly, the Board Audit & Risk Management Committee reviews the suitability of the external auditor and recommends appointment or re-appointment (as the case may be) to the Board, before being tabled for approval at the Annual General Meeting.</p> <p>The policy on the assessment of the external auditor is stated in the Board Audit & Risk Management Committee Charter. The assessment although practised at all times, is now expressly mentioned in the Board Audit & Risk Management Committee Charter as part of the amendments to the Board Charter arising from the CG Code 2017.</p> <p>In evaluating the suitability of the external auditor, the Board Audit & Risk Management Committee, with input from Management, considers the following:</p> <ul style="list-style-type: none">• the external auditor's reputation, resources and quality of audit;• nature and extent of non-audit services rendered and the level of fees; and• the independence and continued independence of the external auditor and written assurances of the same. <p>This process includes obtaining assurances from the external auditor that each of its partner(s) and personnel is free of any conflict or potential conflict of interest that may impair her/his judgment or objectivity. The external auditor further provides the Board Audit & Risk Management Committee with an assurance that the external audit staff undergoes stringent reviews based on their global practices to ensure that personnel assigned to audit the Company are indeed free of any conflicts or potential conflicts of interests.</p>
Explanation for departure	:	

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

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board Audit & Risk Management Committee is comprised solely of Independent Directors. All the current Independent Directors are members of the Committee. The said Directors on the Committee as at December 31, 2019 were:</p> <ul style="list-style-type: none">(a) Y. Bhg. Dato' Zainal Abidin Putih (Chairperson)(b) Ms. Chua See Hua;(c) Mr. Fong Seow Kee; and(d) Mr. Antonio M. Cailao

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Board Audit & Risk Management Committee, Y. Bhg. Dato' Zainal Abidin Putih, is a chartered accountant and the current chairman on a major bank.</p> <p>Ms Chua See Hua is a practicing lawyer specializing mainly in corporate finance matters.</p> <p>Mr Fong Seow Kee, is a chartered accountant and a venture capitalist. He was, until recently, also the chairman of the audit committee of another public listed company.</p> <p>Mr Antonio M. Cailao is a former senior banker with an international banking group and later headed the Philippines National Oil Company.</p> <p>Apart from their financial literacy, each member of the Board Audit & Risk Management Committee brings to the job, their ability to grasp and understand complex business and financial related issues that are considered by the Committee and the Board. They also have considerable experience dealing with management (in various other companies) and possess the necessary ability and independence to probe and seek clarifications on the financials as presented by management as well as progress made, and weaknesses detected in any financial or business matters or transactions moved by management.</p> <p>The Independent Directors are presented with the financials in considerable detail at all quarterly meetings. Much time is spent discussing questions on the financial and operations (and its impact on the financials) and action taken by management to address matters of concern.</p>

	<p>The Committee has also the ability to summon the presence of the internal and external auditors to provide independent advice whenever deemed necessary.</p> <p>The training attended by each Director in 2019 are as stated in the Company's Annual Report (in pages 69-70 therein).</p> <p>It is to be noted that the newly appointed Independent Director, Y.Bhg. Dato' Noorizah Hj Abdul Hamid is an accounting and finance graduate and a former Managing Director of a major infrastructure Engineering company. Dato' Noorizah is also expected to be appointed to the Audit Committee in 2020.</p>	
<p>Explanation for departure</p>	<p>:</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>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises that managing a publicly listed downstream oil and gas company has many challenges and inherent risks. These risks include financial, foreign exchange, legal compliance, crude and product supply, distribution, environment issues, industrial requirements, safety and managing the human resources of the Company.</p> <p>To this end, the Board had previously put in place a management integrity system that over the years, proved to be highly effective.</p> <p>Recognising that the parent company, Petron Corporation, too is in downstream oil and gas business and the management integrity systems it has in place, the Company has opted to align or adopt, where possible, best practices from Petron Corporation's own systems. In this regard, the Company continues to receive technical advice and support from Petron Corporation. The Company also receives technical support via formal arrangements with ExxonMobil.</p> <p>The Board recognises that risks can be mitigated (and even eliminated) by having in place an effective system of internal controls. Key elements of the Company's internal controls include:</p> <ol style="list-style-type: none">1. The alignment or adoption of best practices from Petron Corporation. These not only assist the Company in identifying the principal risks faced by the Company, but also prescribes the appropriate systems to manage these risks that include the overall control framework, the required control checks and the required assessment on the system's effectiveness;2. A defined organisational structure with clear lines of accountability and delegation of authority;3. Reviews of controls including through internal audits being performed periodically and financial audits are subject to annual review by its external auditor. The results are reviewed with various levels of Management and any major concerns

are raised to Senior Management and the Board Audit & Risk Management Committee;

4. Key policies covering, among others, business ethics, conflicts of interest, alcohol and drug use, gifts and entertainment, harassment in the workplace and employees' outside directorships are in place in the form of the Code of Conduct. These include requirements to comply with all applicable laws and regulations. The revised Code of Conduct has been communicated to employees, vendors and contractors. Effective from 2014, trainings are provided periodically to employees, vendors and contractors. All new employees for example, are required to undergo mandatory training on the Code of Conduct. Where there are any violations, a 'controls stand-down' with employees will be carried out to reinforce the need for adherence. These include where there are potential conflicts of interests and receipt of festive gifts and adherence to our internal guidelines on such receipt of gifts. Revised guidelines on receiving of gifts (based on the new policy implemented by Petron Corporation), were implemented in 2017. By 2019, a Company-wide refresher training on the Code of Conduct had been completed.
5. In preparation for the implementation of the new amendments to the Malaysian Anti-Corruption Commission Act 2009, further training will be carried out in 2020. These will be done to ensure all employees of the Company understand the risks associated with the new law that will come into force in June 2020 and what the Company expects of each employee to ensure the employees' (and the Company's) strict compliance with the Law. The Company will also commence preparations to seek an ISO 37001 (Anti-bribery Management System) certification in due course once all processes are in place to meet the challenges of the new law.
6. A management integrity system based on Petron Corporation's best practices to assess and sustain the effectiveness of the organisation's system of controls; and
7. The effective lines of communications within the Management with regular Management Committee meetings where all matters pertaining to each business unit and function are reviewed. This way any controls related issues are highlighted weekly and the action plans on any identified gaps are dealt with immediately.

In 2014, the Company embarked on a programme to revisit its risk management by employing Petron Corporation's Enterprise-Wide Risk Management tools. The exercise pointed out that the key risks previously identified continue to be the main risks that must be

	<p>managed even today. The Company, recognising that this is an evolving endeavour, will embark on an exercise to revisit the risk management preparations that are already in place with the intent to update the tools and assessment, where necessary. Examples of such evolution was the inclusion again of a previously eliminated risk on delays in recovering subsidies from the authorities. Since 2017, cybersecurity risk was given more prominence following a spate of world-wide incidence of hacking and ransom-ware. The Board Audit & Risk Management Committee seeks to keep IT security as a matter of priority.</p> <p>As part of the Risk Management review, all business continuity plans of the Company will be periodically reviewed to ensure that the business recovery process in the event of an emergency is sound and effective. In 2016, a fire incident at the Company's Port Dickson Refinery, caused a temporary shutdown of the facilities. In 2019, a temporary shutdown of the Refinery was necessitated by a failure at the crude importation jetty. Whilst the jetty was not operated by PMRMB, the Company nevertheless was impacted. The Company's business continuity plans were immediately activated on both occasions. The areas covered included two critical areas, namely repairs and re-starting operations at the Refinery and in the interim, management of incoming crude supply and continued supply of petroleum products to customers. Both these critical factors were successfully managed in accordance with the business continuity plans in place. The successful activation of the business continuity plans during the fire incident in 2016 prompted a review in 2017 of other critical areas and the adequacy of the business continuity plans in those critical areas. In 2018 a review of the business continuity plans for critical areas were completed indicating that the plans were current and able to meet the needs of the Company. This had been reported to the Board Audit & Risk Management Committee. Proof of the effectiveness of the business continuity plans was evident during the abovementioned shutdown in 2019 due to the inoperability of the jetty. The business continuity plans will nevertheless continue to be reviewed periodically.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	<p>Key control-related matters in relation to the Company's Corporate Governance include:</p> <ol style="list-style-type: none">1. Timely reporting of any changes to the prevailing delegation of authority that have been approved by the Board and ensuring that amendments are approved by the Board in a timely manner so as not to cause any disruption to the business;2. Regular notice to all Directors and staff on Insider Trading and risks as well as restrictions on trading in the Company's shares during a 'closed period';3. Quarterly reporting to the Board Audit & Risk Management Committee of all Trade Accounts Receivables that are written off;4. Review of any contracts over the value of RM5 million that were not in the ordinary course of business;5. Full review with the Board Audit & Risk Management Committee on a quarterly basis of all intercompany transactions to ensure compliance with laws pertaining to Related Party Transactions;6. Review of amendments to the Company's List of Authorised Signatories; and7. With effect from 2017, Risk Management updates were included as a fixed item in all Quarterly Board Audit & Risk Management Committee Meetings. <p>The risk management framework is developed internally based on the Company's experience in the down-stream oil and gas business requirements and honed over 50 years of experience in the business.</p>

	<p>The Company's Port Dickson Refinery and Terminals at Port Dickson and Bagan Luar had also obtained the ISO certification in 2017. In 2019, both the Company's Port Dickson Refinery and Terminal as well as Bagan Luar Terminal, together with its sister company, Petron Fuel International Sdn. Bhd.'s Kuantan and Pasir Gudang Terminals achieved another milestone when they received the Integrated Management System (IMS) Certification from SIRIM for ISO 9001, 14001 & 45001. PMRMB's KLIA Aviation Depot was accredited with QMS by SIRIM.</p> <p>The Company has also embarked on a Total Quality Management programme using the internationally recognised Malcolm Baldrige Excellence Framework (locally adapted as the Malaysian Business Excellence Framework). In 2019, the Company's Port Dickson Refinery, along with its sister companies, Petron Fuel International Sdn. Bhd.'s Kuantan and Pasir Gudang Terminals and Petron Oil (M) Sdn. Bhd.'s Sepangar Bay Terminal, were recognised by the Malaysian Society for Occupational Safety and Health ("MSOSH") with Grand Awards. Furthermore, the Company's terminals at Port Dickson and Bagan Luar Terminal, as well as KLIA Aviation Depot, along with sister company, Petron Oil (M) Sdn Bhd's Tawau and Sandakan Terminals were awarded with Gold Merit and the Gold Class Awards by MSOSH. Just the year before, the Company's Port Dickson Refinery was also awarded the Prime Minister's Hibiscus (Exceptional Class) Award for its environmental excellence. In 2019, the Company's Port Dickson Refinery, as well as all Petron Malaysia group's Terminals, achieved an outstanding milestone of 17 years and 23 years, respectively, without any Lost Time Injury to its employees.</p> <p>From a day to day management perspective, certain other controls are in place for reviews and approvals are at various levels and Departments. Such an authorisation process minimises the risk of any possible abuse of authority. These include some critical areas such as approvals required in the procurement process for various Departments and acquisition of land for retail station expansion. Critical processes are also reviewed periodically by Internal Audit to ensure independent evaluation of the effectiveness of such controls. Overall, the Company's various risks and internal controls are not only periodically reviewed internally but are also the subject matter of review by Internal Audit and recommendations by Internal Audit are implemented within set time frames.</p> <p>The Board has also received assurance from the CEO and CFO that the Company's risk management and internal control systems (for financial year ended 2019 and up to the date of this Report) are operating adequately and effectively, in all material respects.</p>
<p>Explanation for departure</p>	<p>:</p>

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

Intended Outcome

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

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

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board Audit & Risk Management Committee is the Board committee that oversees the risk management framework and policies.</p> <p>The Committee has as a regular agenda item on risk management at its quarterly meetings.</p> <p>The Company's Statement of Risk Management and Internal Controls is reviewed by the external auditor as part of a special engagement for that purpose. The external auditor also reports to the Board Audit & Risk Management Committee on its review.</p>

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company's internal audit function is undertaken by an internal audit group based in Manila, at Petron Corporation, that also undertakes audit work for all Petron Corporation companies in the region. The internal audit group which reports directly to the Board Audit & Risk Management Committee, also takes functional guidance from Petron Corporation's internal audit function. This structure allows the Company to benefit from the application of Petron Corporation's internal audit best practices and assures the Company of internal audit independence.</p> <p>The current arrangement ensures that Management of the Company has no control over the function of the internal audit. To ensure independence from Management, the internal audit personnel assigned to the Company's internal audit are not subject to any determination of their remuneration (or increase thereto) by the Company's Management. In order to maintain total independence from the Company's Management, their remunerations are not set or paid by the Company.</p> <p>The internal audit function undertakes independent, regular and systematic audit reviews of the Company's system of internal controls to assess the adequacy and effectiveness of those controls and overall control environment. This is to provide reasonable assurance that such systems are operating effectively. The internal audit process covers the audit of selected units and operations based on risk assessment. Internal Audit has a mid-year and annual review with the Board Audit & Risk Management Committee on audit carried out including the results/findings. Follow-up action plans arising from the audits, as recommendations by Internal Audit, are also reviewed.</p> <p>The Board Audit & Risk Management Committee also reviews and approves the audit plan for the subsequent year. Further, where there are any amendments to the approved audit plan, such amendments to the plan will require approval from the Board Audit & Risk Management Committee.</p> <p>The Board Audit & Risk Management Committee has reviewed the internal audit findings for 2019 as well as the closing out of</p>

	<p>recommendations made by the internal audit. The Board Audit & Risk Management Committee has also recognised the new Audit Rating System that was implemented in 2017 in line with the system adopted by the parent company.</p> <p>With effect from 2018, per revisions made to the Board Audit & Risk Management Committee Charter in light of the CG Code 2017, the Board Audit & Risk Management Committee will:</p> <ul style="list-style-type: none"> • satisfy itself of the independence of the internal audit function; • satisfy itself that the resources allocated to the internal audit function are adequate; • identify the name of personnel assigned to internal audit of the Company and their qualification and experience; and if the internal audit is carried out in accordance with recognised standards framework. <p>This will be in addition to the review and approval of the annual internal audit plan, as well as the midyear review, on the audits carried out, follow through action and close-out of audit issues.</p> <p>It is to be noted that a key function of internal audit is to not only identify weaknesses and recommend improvements but also to be mindful of new concepts and techniques used in the industry and at Petron Corporation and to suggest improvements and seek process and controls synergy. This has been an important focus area for internal audit since 2012.</p>	
<p>Explanation for departure :</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>Measure :</p>		
<p>Timeframe :</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 10.2

The board should disclose–

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

Application :	Applied
Explanation on application of the practice :	<p>(a) Independence: At its meeting on November 21, 2019, when reviewing the internal audit plan for 2020, the Board Audit & Risk Management Committee obtained confirmation from the Manager of the Internal Audit Department of the independence and continued independence of the internal audit personnel. From 2018, the said Manager provides annually, written confirmation of the same to the Board Audit & Risk Management Committee.</p> <p>(b) Resources: The number of personnel normally assigned to the internal audit work at the Company are between 3 -5 in numbers. These personnel are based in Manila and travel and stay in Malaysia for the duration of the audit as necessary. The personnel assigned to a particular audit will have requisite expertise in the particular filed of audit based on their vast experience having worked in Petron Corporation. The cost of the internal audit work is charged to the Company. In 2019, the cost of the internal audit work for the Company was RM213,411.40.</p> <p>(c) The person who will be in charge of the internal audits in Malaysia for 2020 is Mr. Ronald Ferrer, who is also the Manager, Internal Audit Department, Petron Corporation. He is a Certified Public Accountant and a Certified Internal Auditor (as certified by the Institute of Internal Auditors).</p> <p>(d) The internal audits are carried out in accordance with the International Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors (with its Global Headquarters in Florida, USA)</p>
Explanation for departure :	

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

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has written guidelines on shareholders communication that are incorporated in the Company's Corporate Communication and Disclosure Guidelines that can be accessed on the Company's website. The guidelines also incorporate the parent company's best practices on all matters pertaining to communication, be it with shareholder or other stakeholders.</p> <p>The Board recognises the need for engaging stakeholders and maintaining a healthy line of communication with the stakeholders. The Board is also mindful that:</p> <ul style="list-style-type: none">• the downstream oil & gas business in Malaysia is highly competitive and much of the information (especially on strategy and business plans and investment) are highly confidential in nature; and• there are no other publicly listed integrated downstream oil & gas company (with both a refinery and a retail/ commercial business) in Malaysia (like Petron Malaysia Refining & Marketing Bhd), that are also subject to stakeholder engagement recommendations under the CG Code 2017. Competitors in the industry that are not publicly-listed, are not subject to such disclosure requirements. <p>As such in order to be a sustainable business and in the best overall interest of the Company, the Board and Management recognises the need for transparency to be tempered with discretion.</p> <p>The Board and Management nevertheless recognise the need to communicate effectively with shareholders. The Board values and encourages dialogue with the shareholders to establish better understanding of the Company's objectives and performance. To this end, suggestions made by shareholders have been incorporated, where appropriate, including the improvement of financial presentations at general meetings as well as enabling shareholders to</p>

visit the office for dialogues or clarification on matters disclosed or pertaining to the Company. The Annual General Meeting provides a suitable forum for the shareholders to hold dialogues with the Board. Additionally, queries from investors and potential investors are dealt with by our Investor Relations.

At the Annual General Meeting, a Management presentation will be made about the Company's performance for the year under review. Some information may also be provided about plans going forward. As a general rule the Company does not make or disclose any future financial performance estimates. The Annual General Meeting allows shareholders to ask questions and seek clarification on the Company, including on its financials, business, operations and governance matters. Shareholders are also allowed to submit written questions in advance and these will be addressed at the Annual General Meeting.

Since 2013, all voting on all resolutions tabled at the Annual General Meetings of the Company have been by poll as recommended by the then Malaysian Corporate Governance Code. This method of voting will continue to be applied. Since the 2017 Annual General Meeting, voting has been fully electronic. For efficiency and accuracy of vote tabulation, an independent scrutineer monitors the entire tabulation of proxy submissions and poll voting process. The independent scrutineer is also the one who announces the voting results.

Whilst the Company's relatively small number of shareholders may not under normal circumstances deem an interactive remote attendance/participation/voting system feasible, considering the current COVID-19 situation and the possibility of any extension of the Movement Control Order by the Government or even any restrictions placed on mass gatherings, the Company is actively seeking the implementation of such a system, where necessary, for the Annual General Meeting in 2020. If implemented, it will be used to supplement the actual (in-person) meeting or if such an in-person meeting is not possible, then as an alternate to the in-person meeting. Any plans to implement such a system will be duly announced to the shareholders at the appropriate time once the availability and effectiveness of the available system is verified by Management.

The Company's website has a Management Committee member as its named contact person with contact details, to ensure that shareholders' queries are promptly addressed. The Company holds open discussions with investors and analysts upon request. Material information relating to the Company is disclosed to the public by way of announcements to Bursa Malaysia Securities Berhad ("BMSB"), as required by the Main Market Listing Requirements of BMSB.

A summary of the key stakeholder engagement and communication is as follows:

Shareholders

Annual General Meeting (“AGM”) forms the most important avenue for shareholders to question/seek clarification from the Board and Management. The Company receives questions in advance in writing from shareholders including the Minority Shareholders’ Watchdog Group, all of which are addressed at the AGM. The AGM also enables the Board and Management to update shareholders of the year’s business and finances as well as to provide some input on what the business and oil industry outlook would be. In addition, there are questions that are directed to the Company via the Company Secretary as lead for investor relations. Where the information sought is not unpublished price sensitive information, written responses or verbal responses are provided. Further, the Company ensures that all disclosure requirements mandated by the Listing Requirements as well as voluntary disclosures (where necessary) are made to provide the investing public with relevant information. At the Annual General Meetings, shareholders and proxies present are also instructed on the voting process and arrangements via specific announcements by the Company Secretary.

Employees

Communication with employees is key to ensuring that they are fully aware of the Company’s plans and goals and how they can help grow the business as envisaged. To this end, the various Departments have annual ‘kick-off’ sessions with their personnel to ensure that everyone is fully on board and will fulfil their part in making the Company a success.

Potential Investors

Management often engages with investment banks on request for briefings for themselves or their major clients who are keen to invest in the Company

Regulators

Engaging the Company’s regulators is an important facet of stakeholder communication. Over the years, the Company has maintained a close rapport with its regulators as we believe a working partnership with the relevant agencies in realising the Company’s business and the downstream oil & gas industry, are synonymous and interlinked.

Customers

As the customers are crucial to the success of the Company’s business, communication with these customers via various means (including print and social media and in collaboration with other partners), enable the current and potential customers of the Company to know and appreciate the products and services on offer as well as the benefits of being a customer of the Petron brand, This is in line with the Company’s ‘Customer Focus’ values.

	<p><u>Dealers</u> The dealers and their frontline personnel are the Company's ambassadors with the customers and communications with them on the Company's plans and aspirations, requirements and set targets are an important part of the Company's stakeholder engagement.</p>	
<p>Explanation for departure</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>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board acknowledge that integrated reporting goes beyond a mere combination of a financial statement and sustainability report into a single document.
		Nevertheless, there are coordination efforts among cross-functional departments in preparing the various statements and reports in the Annual Report.
		The Board believes that the current reporting structure and depth of disclosures in the Annual Report is sufficient to enable stakeholders to make informed decisions.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	The Notice of Annual General Meeting – “AGM” - is (as per normal practice) issued by the end of April in every year. The AGM is normally held in June of the same year. As such more than 28 days’ notice is generally given to ensure shareholders have sufficient time read and understand the Notice, proposed resolutions and the contents of information (including and circulars) provided with said notice. The time also enables the shareholders to make arrangements to attend or send a proxy to the AGM.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors have attended the Annual General Meetings in the past with rare exceptions when any were unable to attend due to unforeseen circumstances.</p> <p>The Chairpersons of the Board Audit & Risk Management Committee and the Nominating Committee normally respond to any questions directed to them or if it relates to their respective Committees.</p> <p>Questions at the AGM are normally responded to by the Chairman, the Chief Executive Officer as well as senior management personnel present.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>Arising from the Companies Act 2016, the constitution of the Company (previously referred to as the Memorandum and Articles of Association), had been re-drafted to bring it in line with the same and was thereafter approved at the Annual General Meeting in 2019.</p> <p>The Company's Constitution provides for a leverage on technology to facilitate; amongst others, voting in absentia and remote shareholders' participation at the Annual General Meetings.</p> <p>In this regard, whilst the Company's relatively small number of shareholders may not under normal circumstances deem an interactive remote attendance/participation/voting system feasible, considering the current COVID-19 situation and the possibility of any extension of the Movement Control Order by the Government or even any restrictions placed on mass gatherings, the Company is actively seeking the implementation of such a system, where necessary, for the Annual General Meeting in 2020.</p> <p>If implemented, it will be used to supplement the actual (in-person) meeting or if such an in-person meeting is not possible, then as an alternate to the in-person meeting. Any plans to implement such a system will be duly announced to the shareholders at the appropriate time once the availability and effectiveness of the available system is verified by Management.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
------------------	---	--	--

**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.

Click or tap here to enter text.

