

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5199
COMPANY NAME : Hibiscus Petroleum Berhad
FINANCIAL YEAR : June 30, 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 PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board of Hibiscus Petroleum Berhad (Board) is principally responsible for setting our Group's overall strategic direction, objectives and goals including the key values, principles and ethos.</p> <p>Our Board acknowledges that it is accountable to our shareholders for our Group's performance and its fundamental approach in this regard is to ensure that the right executive leadership, strategy and internal controls for risk management are in place.</p> <p>The above principles which have been recently updated to reflect the Board's increased oversight role, are encapsulated in our Board Charter, which is published on our Company's website.</p> <p>As a result of the Board's strong commitment to the principles of good corporate governance (CG), the Company has been ranked in the top 12% of Malaysian public listed companies (99th position out of the 866 companies evaluated) for CG disclosure in the Minority Shareholders Watch Group (MSWG)'s Malaysia-ASEAN Corporate Governance Report 2018.</p> <p>Our Board has established the Governance Structure not only to ensure legal and regulatory requirements are met, but to also instil good CG practices as set out in the CG Overview Statement on pages 72 to 79 of our Annual Report 2018/2019.</p> <p>Our Board actively engages in reviewing and refining our Group's strategic priorities. In January 2019, our Board, together with Management, participated in strategic planning sessions to chart the Group's strategies and reviewed the proposed business plan to achieve the 2019 to 2023 mission and objectives of the Group. Where appropriate, our Board challenged the plans and assumptions to ensure that the final plan is sustainable and delivers value to our shareholders and other stakeholders.</p>

	<p>The strategic priorities and business plan were further enhanced by Management, based on our Board's guidance. The five-year strategic plans and the annual operating budget for the financial year were subsequently approved by our Board.</p> <p>In conceptualising and documenting the strategic plans of the Group to support sustainable operations and growth, in July 2019, the Board had reviewed and approved the Business Management Sustainability Committee's refined sustainability framework for the Group, as well as the material sustainability matters and the Environmental, Social and Governance (ESG) indicators for disclosure in the Sustainability Report. Details of such initiatives are set out in our Sustainability Report on pages 80 to 103 of our Annual Report 2018/2019.</p> <p>Our Board also exercised oversight through regular reviews of the Group's operating results on a quarterly basis. In addition, major investments in projects and acquisition of assets were subjects of constant review. The Board, together with Management, constantly reviewed the Group's cash requirements and identified financing options which are appropriate to the Group's circumstances and are in the Group's best interest.</p> <p>Our Board also reviewed the adequacy of the Group's controls and risk management plans throughout the year. The Audit and Risk Management Committee (ARMC) assisted the Management team in reviewing the status of risk management activities of the respective business segments on a quarterly basis. In this regard, a review of the framework for risk management and the internal control system had undergone a periodic evaluation process during the financial year and has been updated accordingly.</p> <p>Another step in checking the relevance of the current internal control system of the Group in view of the growth of the business involved is the review of the Limits of Authority (LOA) matrix which sets out the specific approval thresholds for management decisions and the persons authorised to approve the various decisions to be taken. In April 2019, additional authorities and controls were introduced to monitor the growth in operations more efficiently. In this regard, a new LOA for Project Marigold and Sunflower was also introduced in May 2019.</p> <p>The effectiveness of the Board, Board committees and their respective charters/terms of reference to bring existing provisions in line with best practices, were assessed by the Board.</p> <p>Through the ARMC, the Board also assessed the efficiency of external and internal auditors in discharging their duties.</p> <p>The Board also met with the external auditors and the internal auditor, without the presence of Management, to confirm that there was no undue influence or interference applied by Management to the external and internal audit teams.</p>
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	<p>In carrying out its governance oversight, the Board also emphasised the importance of embracing and embedding integrity and ethical values across the organisation. The same applies to the Company's financial and non-financial reporting to ensure reliability, timeliness, transparency and compliance with the relevant standards.</p> <p>In this respect, the Board had approved the refinement of existing policies such as its <i>Code of Conduct and Ethics</i> in March 2019, which has been expanded to include the Group's commitment to respecting internationally recognized human rights and labour standards which includes taking reasonable steps to ensure that there is no form of forced, bonded or underage labour in the Group's business and supply chain, and the <i>Whistle Blower Policy</i> in May 2019, which has been extended to cover all parties working with the Group as well as provide more clarity on the process for reporting any known malpractices or wrongdoings.</p> <p>In view of the seriousness of the modern slavery epidemic, a stand-alone <i>Anti-Modern Slavery Policy</i> was approved in July 2019 to reiterate the Group's stand against modern slavery practices, to provide further support to the amended Code of Conduct and Ethics. Furthermore, the Board had also approved an <i>Anti-Corruption and Anti-Bribery Policy</i> in the same month to emphasize the Group's zero tolerance of all forms of corruption and bribery, while providing clarity on the parameters and controls instituted to facilitate understanding and monitoring. Aside from the existing <i>Health, Safety, Security and Environment (HSSE) Policy</i>, Board had also concurred on an <i>Environment Policy</i> as part of steps to endeavor to use energy and natural resources wisely and efficiently, and to ensure its environmental management system continually assesses the impact of its operations to the surrounding environment, while maintaining action plans capable to respond to any arising emergency (which is supported by the Group's <i>Crisis Management Plan</i>).</p> <p>In addition, the board had approved the Group's <i>Diversity Policy</i> in July 2019 to highlight the importance of diversity and inclusion in the Group's culture, for enhanced value creation.</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	:		
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Intended Outcome

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

Practice 1.2

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 our Board is Encik Zainul Rahim Mohd Zain, a non-independent non-executive director. He is an engineer with more than 41 years of experience in the oil & gas exploration and production industry, a respected professional and maintains a balanced position in leading/moderating discussions during the Board and/or Board Committee meetings with Management.</p> <p>As the leader of our Board, our Chairman plays a key role in ensuring the effectiveness of our Board and is responsible for instilling good CG practices. Our Board Charter formally sets out our Chairman's role and responsibilities.</p> <p>Our Board Chairman presides over Board and shareholders' meetings. He leads the discussions at our Board meetings and ensures that relevant matters are included in the meeting agenda, sufficient time is allocated for discussions and the meetings run smoothly.</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

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 positions of our Board Chairman and Managing Director (MD) are held by different individuals.</p> <p>The role and responsibilities of our Board Chairman and MD are formally documented in our Board Charter. The separation of roles ensures there is a balance of power and authority in accordance with good CG practices.</p> <p>Our Board Chairman is primarily responsible for ensuring our Board's effectiveness and conduct whilst our MD has overall responsibility over the business units and day-to-day management of our Group.</p> <p>Our MD ensures the organisational effectiveness and implementation of Board policies, strategies and decisions, is responsible for providing leadership to Management, advancing relationships with regulators and stakeholders, and is accountable to the Board and reports to the Board at every Board meeting and on all material issues, as and when required.</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

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>Our Board is supported by the services of qualified Company Secretaries.</p> <p>Their roles and responsibilities include:</p> <ul style="list-style-type: none"> (a) Advising the Board and Management on matters relating to the constitutions of companies and facilitating compliance with the Main Market Listing Requirements (LR) and the relevant companies' legislations. (b) Supporting the execution of corporate proposals. (c) Acting as the secretary to the Board and its Board Committees. (d) Facilitating communication between the Board and Management. <p>In 2018, the Company Secretaries together with Management and our legal advisor had assisted the Board in the review of the Constitution of the Company to ensure its compliance with the Companies Act 2016 (the Act), Bursa Malaysia Securities Berhad (Bursa Securities)'s Listing Requirements, as well as other relevant laws and regulations. The new Constitution had been approved by the shareholders by way of Special Business (Ordinary Resolution) at the 8th Annual General Meeting (AGM) held on 4 December 2018.</p> <p>For annual general meetings which are held at the beginning of December annually, the Company Secretaries play a significant role in ensuring that the due processes and proceedings are in place and properly managed. During the meeting, the Company Secretaries assist the Chairman and the Board to conduct the meeting.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their function.</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

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

Practice 1.5

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Company Secretaries electronically issue formal notices of upcoming Board meetings and their agenda together with a comprehensive set of meeting papers ahead of each Board meeting. This enables the Directors to have immediate access to the meeting materials as they become ready for distribution.</p> <p>Meeting materials are reviewed and endorsed by our MD prior to circulation to ensure that they contain comprehensive and accurate information which is required for informed decision-making by our Board.</p> <p>The minutes of the Board or Board Committee meetings record the key deliberations and decisions of our Board and Board Committees. Upon conclusion of a meeting, the draft minutes are written-up, reviewed and subsequently circulated for comments. The minutes are then confirmed by the relevant Chairman after comments are accepted. In addition, the status updates to the matters arising from previous meetings are tabled at the next Board or Board Committee meeting for further discussions until they are closed out.</p> <p>The Board is kept apprised of the activities of the Board Committees through circulation of the minutes of the Board committee meetings and also by the Chairman of the respective Board Committees who will address the Board on key matters discussed.</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

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>Our Board Charter primarily outlines the manner in which our Board's powers and responsibilities will be exercised and discharged, taking into account our Company's Constitution, the Act, the LR issued by Bursa Securities and other applicable laws and CG best practices.</p> <p>The principal responsibilities of our Board are formally documented in our Board Charter. The Board Charter clearly explains the relationship and interaction between our Board, Board Committees, MD and Senior Management.</p> <p>It also sets out the specific delineated key matters which are reserved for the Board's approval (Reserved Matters). The Board Reserved Matters include approval of strategic plans and budget, operational and financial performance, unaudited quarterly financial results and audited financial statements, significant issues, key activities and opportunities.</p> <p>Our Board has delegated specific powers to three Board Committees, namely the ARMC, Nominating Committee (NC) and Remuneration Committee (RC). Our Board Charter and the Terms of Reference (TOR) of the said Board Committees are periodically reviewed and have been published on our Company's website. The Reports of the NC, RC and ARMC, as approved by the Board on 1 October 2019, are on pages 104 to 112 of our Annual Report 2018/2019.</p> <p>Powers of day-to-day management have been delegated to our MD within an approved set of Limits of Authority (LOA). The LOA outlines the decision-making authority of our MD and the delegation of authority by our MD to Senior Management and the Heads of Department on inter alia, operational and capital expenditure, execution of contracts, procurement, and human resource matters up to a certain monetary threshold. Any commitments exceeding the delegated LOA authorities will require our Board's prior approval. The LOA is reviewed on a periodic basis, the most recent of which was in April 2019, when additional authorities and controls were introduced to monitor the growth in operations more efficiently at Group level. Furthermore, a new stand-alone LOA for Project Marigold and Sunflower was also introduced in May 2019.</p> <p>In addition, our Board is responsible to ensure continuing education/training for the Directors to update their knowledge and enhance their skills through attendance at relevant programs, so as to enable them to gain insights and</p>

	<p>enhance their contribution to Board deliberations. In this respect, all our Directors attended seminars and/or training and/or programmes and/or professional/industry networking meetings as delegates/invitees and/or speaker/presenter/facilitator as follows:</p> <table><tr><th>Descriptions</th></tr><tr><td>Technical briefing in Aberdeen, Scotland on Subsurface & Facility Improvement Opportunities</td></tr><tr><td>Rabobank Financial Markets Outlook 2019 - Organised by Malaysian Dutch Business Council (MDBC)</td></tr><tr><td>Khazanah Megatrends Forum 2018</td></tr><tr><td>FIDE FORUM Dinner Talk - The Director as Coach by Dr Marshall Goldsmith</td></tr><tr><td>BFM Network Series: Investing in a Digital World</td></tr><tr><td>KPMG 2019 Budget Briefing - Organised by MDBC</td></tr><tr><td>Messrs PricewaterhouseCoopers PLT Luncheon Talk: Understanding the Forces that Shaped Budget 2019 Key Proposals by YB Lim Guan Eng</td></tr><tr><td>Prevention of Insider Trading by Mr Yee Fook Weng of Messrs Murad Yee Partnership</td></tr><tr><td>Annual HR Forum 2018 - Organised by MDBC</td></tr><tr><td>Bursa Breakfast Series: Non-Financials - Does It Matter?</td></tr><tr><td>PowerTalk with Professor CK Low: Would A Business Judgment Rule Help Director Sleep Better At Night? - Organised by the Institute of Corporate Directors Malaysia (ICDM)</td></tr><tr><td>30% Club: Board Mentoring Scheme</td></tr><tr><td>FIDE FORUM Workshop: Building an Effective Board - Board Selection</td></tr><tr><td>Standard Chartered Dinner Talk: Belt & Road Forum</td></tr><tr><td>ICDM PowerTalk Series: Revisiting the Misconception of Board Remuneration</td></tr><tr><td>FIDE FORUM: Reading the Signs: The Next Financial Crisis and Potential Impact on Asia by Dr Andy Xie</td></tr><tr><td>FIDE FORUM: Rethinking Strategy by Professor Anil K.Gupta</td></tr><tr><td>BP Statistical Review of World Energy 2019</td></tr></table>	Descriptions	Technical briefing in Aberdeen, Scotland on Subsurface & Facility Improvement Opportunities	Rabobank Financial Markets Outlook 2019 - Organised by Malaysian Dutch Business Council (MDBC)	Khazanah Megatrends Forum 2018	FIDE FORUM Dinner Talk - The Director as Coach by Dr Marshall Goldsmith	BFM Network Series: Investing in a Digital World	KPMG 2019 Budget Briefing - Organised by MDBC	Messrs PricewaterhouseCoopers PLT Luncheon Talk: Understanding the Forces that Shaped Budget 2019 Key Proposals by YB Lim Guan Eng	Prevention of Insider Trading by Mr Yee Fook Weng of Messrs Murad Yee Partnership	Annual HR Forum 2018 - Organised by MDBC	Bursa Breakfast Series: Non-Financials - Does It Matter?	PowerTalk with Professor CK Low: Would A Business Judgment Rule Help Director Sleep Better At Night? - Organised by the Institute of Corporate Directors Malaysia (ICDM)	30% Club: Board Mentoring Scheme	FIDE FORUM Workshop: Building an Effective Board - Board Selection	Standard Chartered Dinner Talk: Belt & Road Forum	ICDM PowerTalk Series: Revisiting the Misconception of Board Remuneration	FIDE FORUM: Reading the Signs: The Next Financial Crisis and Potential Impact on Asia by Dr Andy Xie	FIDE FORUM: Rethinking Strategy by Professor Anil K.Gupta	BP Statistical Review of World Energy 2019
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BP Statistical Review of World Energy 2019																				

	Descriptions
	ICDM PowerTalk: Say on Pay : What do Boards Need to Know?
	Digital Economy and Capital Market Series: Financial Technology (Fintech), Artificial Intelligence (AI), Big Data and Internet of Things (IOTs) - Organised by CHK Consultancy Sdn Bhd
	Financial Master Class – Current Issues and Trends That Affect Our Capital Market, Economic, Daily Financial Practice and Investment Decision
	Invest Malaysia 2019: The Capital Market Forum
	Platts Asia Pacific Petroleum Conference (APPEC 2018)
	DBSV Regional Oil & Gas Conference in Singapore - Organised by DBS Vickers Securities
	UK Oil & Gas Investment Opportunities Seminar
	APPEC Crude Trading Dinner 2018 - Organised by Shell Trading
	Asia Rising Dragons 1x1 Forum in Singapore - Organised by J.P. Morgan Singapore
	Asia Rising Dragons 1x1 Forum in Hong Kong - Organised by J.P. Morgan Hong Kong
	Launch of the Institute of Corporate Directors Malaysia
	Global Oil & Gas Conference in London - Organised by J.P. Morgan London
	British Malaysian Chamber of Commerce (BMCC) Energy Event- Transitioning to Renewables: A New Frontier for Oil & Gas Companies
	The 8 th Malaysia Investor Relations Awards - Organised by Malaysian Investor Relations Association (MIRA)
	Alliance Investment Bank Corporate Day - Organised by Alliance Investment Bank
	Invest Malaysia Tokyo 2019 in Tokyo, Japan – Jointly organised by Bursa Malaysia, Maybank Kim Eng and Mizuho Securities
	2019 Asia-Pacific Energy Assembly - Organised by Energy Council
	Yee Sang Lunch and “The Yahoo! Experience Talk” - Organised by MIDF Amanah Investment Bank Berhad

	Descriptions	
	BNP Paribas IP Conference & Networking Lunch 2019	
	International Petroleum Week Luncheon Reception - Organised by Societe Generale	
	Malaysian French Chamber of Commerce & Industry Annual Gala Dinner	
	Breakfast with Harry Tchilinguirian, Head of Commodity Research, BNP Paribas London: BNP Paribas Oil Market Overview	
	2-Day Workshop on understanding of what to expect in the oil market - S&P Global Platts University, Singapore	
	Tropical Basic Offshore Safety Induction and Emergency Training (BOSIET) with EBS and Travel Safely By Boat (OPITO approved)	
	Basic Hydrogen Sulphide (H ₂ S) Training – <i>The course covers training elements on H₂S hazards including practical usage of gas detector and Escape Breathing Apparatus (EBA).</i>	
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

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

The board, management, employees and relevant 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>In March 2019, the Board had reviewed and approved certain revisions to the Code of Conduct and Ethics (Code) so as to reinforce ethical values as part of good corporate governance under its leadership. The Code is published on our Company's website.</p> <p>The Code outlines the principles and best practices which are applied by our Group when conducting our business including managing conflicts of interests; respecting confidentiality and not misusing the Company's information, assets or facilities; valuing and maintaining professionalism; acting in the best interest of the Group, shareholders, stakeholders, where applicable; contributing to the Company's reputation as a good corporate citizen which earns the respect of the community and environment in which it operates; performing duties in ways that minimise negative environmental impact and maximise workplace safety; committing to respecting internationally recognised human rights and labour standards which includes to not employ forced, bonded or underage labour, and to take all reasonable steps to ensure that there is no form of slavery in the Group's business and supply chain; exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within our workplace, with our customers, suppliers and the public in general; and, acting with honesty, integrity, professionalism in a responsible manner at all times.</p> <p>The Code sets out the guiding principles relating to the giving and receiving of business courtesies and situations of conflicts of interest. The principles are reiterated in further detail in the Group's Anti-Corruption and Anti-Bribery Policy which was introduced in July 2019.</p> <p>In addition, the Board had also approved amendments to the existing Whistle Blower Policy (WBP) in May 2019, to further enhance and embed ethical practices in the Group's operations, by providing a secure platform for which any known malpractices or wrongdoings may be reported.</p>

	On an annual basis, each employee (inclusive of contract staff) of our Group individually acknowledges and confirms that he or she has read the Code and the other above mentioned policies, and will abide by the provisions contained therein.	
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

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 relevant 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>As part of our Group's commitment to effective risk management and high standards of governance and accountability, our Board has established the WBP which is applicable to all Directors and employees of the Group, as well as external stakeholders and members of the public (where relevant). The WBP provides an avenue for the relevant person to report in good faith, belief and without malicious intent, any improper conduct occurring in the course of dealings with the Company and its business operations.</p> <p>On the recommendation by the ARMC, the Board had in May 2019 reviewed and approved the amendments to the existing WBP.</p> <p>Our WBP is posted on the Company's website at www.hibiscuspetroleum.com.</p> <p>In line with this policy, any improper conduct may be reported in writing directly to whistleblower@hibiscuspetroleum.com, which is accessible by the Chairman of the Board and Chairman of the ARMC. The latter is also the Senior Independent Non-Executive Director (SINED). Under the policy, confidentiality of the matter raised is maintained and the identity of the whistle blower is protected, while the necessary actions are taken (where deemed warranted).</p> <p>In line with the WBP, the Board had also approved an <i>Anti-Corruption and Anti-Bribery Policy</i> in July 2019 to emphasize the Group's zero tolerance of all forms of corruption and bribery, while providing clarity on the parameters and controls instituted to facilitate understanding and monitoring.</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 of independent directors.

Application :	Applied.
Explanation on application of the practice :	<p>Our Board comprises five (5) Directors, three (3) of whom (60%) are Independent Non-Executive Directors (INED).</p> <p>This is in line with the Board's holistic approach in determining its size, composition, and, level of independence. The Board, as far as possible, also takes into account the following principles in determining its composition and ideal size:</p> <ul style="list-style-type: none"> (a) to ensure that at least 2 directors or 1/3 of the Board, whichever is the higher, must be INEDs. (b) that the Chairman's and Managing Director's roles are distinct and separate to ensure that an effective balance of empowerment and authority is met. (c) that the Chairman's main responsibility is to provide overall leadership to the Board while the Managing Director is responsible for ensuring that the Company's corporate and business objectives are achieved. (d) to ensure that Directors will submit themselves for re-election at least every 3 years at a shareholders' meeting. (e) that a director should inform the Chairman before he/she accepts any new directorships in other companies, if there is any potential conflict of interest. (f) that the tenure of an INED should not exceed a cumulative term of nine (9) years unless it is recommended by the NC and the Board is satisfied that he or she is able to continue to deliver independent judgement for Board deliberations, and subject to obtaining shareholders' approval. (g) that if the Chairman is not an Independent Director, the Board shall comprise a majority (more than half) of INEDs. An "Independent Director" shall have the meaning as defined in the LR. (h) to appoint a SINED from among the INEDs; and (i) to appoint the Chairman of the ARMC or the SINED to receive report of any improper conduct that may be reported in writing directly to whistleblower@hibiscuspetroleum.com or to whom the disclosure can be made verbally or in writing and forwarded in a sealed labelled envelope labelled "To be opened by the Chairman of the Board or Chairman of the Audit and Risk Management Committee or Senior Independent Non-Executive Director only" to the registered office address which is also the office address of the Company Secretaries, as follows :-

	12 th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan	
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 4.2

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

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

Application	:	Applied.
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company has implemented a cumulative 9-year term limit for Independent Directors where upon completion of the 9 years, an independent director may continue to serve on the Board subject to his/her re-designation as a non-independent director, unless the Board may justify and seek shareholders' approval annually in the event it desires to retain the Director as an independent director if the Director has served in an independent capacity for more than 9 years.</p> <p>In this regard, with the recommendation of the NC and Board, YBhg Dato' Sri Roushan Arumugam whose tenure as an INED of the Company would extend for longer than nine (9) years from 25 July 2020, will be seeking shareholders' approval at the forthcoming AGM for him to continue in office as an INED of the Company until the conclusion of the next AGM in year 2020.</p> <p>For clarity, no Independent Director has served the Company for longer than the above mentioned period (i.e after 12 years); therefore the 2-tier voting process is not applicable in this regard.</p>
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	The Board will seek shareholders' approval at the forthcoming 9 th AGM of the Company for YBhg Dato' Sri Roushan Arumugam whose tenure as INED would extend for more than 9 years after 24 July 2020, to continue to serve as an INED of the Company.

Timeframe	:		
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Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not adopted.
Explanation on adoption of the practice	:	The Company has applied Practice 4.2

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><u><i>Board Appointments</i></u></p> <p>Our Board has determined that the general criteria for the appointment of a Director should be based on each individual candidate's competencies, commitment (including time commitment), contribution and performance. It should also consider the candidate's:</p> <ul style="list-style-type: none">(a) proven leadership and experience in areas that are relevant to our Group's strategies and business plan;(b) character of the individual to ensure that there will be a right fit;(c) ability to dedicate sufficient time to discharge his or her responsibilities; and(d) unblemished reputation for integrity and ability to exercise good business judgement. <p>Independence and diversity are key factors for consideration in board appointments. The balance of gender, tenure and skills and experience of our Board is shown in the CG Overview Statement on pages 72 to 79 of our Annual Report 2018/2019.</p> <p>It is the responsibility of our NC to assess and recommend to our Board on the suitability of candidates who are nominated for appointment to our Board and Board Committees. Our NC will consider amongst others, the Boards' skills matrix which maps the age, gender, skills, experience and broad leadership of the existing Directors and the desired attributes and competencies to meet the evolving needs of our Group, as well as address any gaps identified from the annual Board effectiveness evaluation.</p> <p><u><i>Senior Management Appointments</i></u></p> <p>Senior Management appointments are closely scrutinised and decisions are made based on objective criteria, merit and with due regard for diversity in skills, education, experience and gender.</p> <p>The appointment of MD and the candidates recommended by the MD to be appointed as Senior Management of the Company are subject to review by our NC and if thought fit, a recommendation is made to our Board for approval.</p> <p>In relation to gender diversity, 80 of our employees are female with 5 of our Leadership Team and Technical Experts positions held by women as of 1 October 2019.</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 4.5

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>Our Board comprised of one (1) woman director (representing 20% of the Board) during the financial year ended 30 June 2019.</p> <p>Our Board recognises the importance of diversity in terms of a broad range of skills and competencies, experience, background and gender to ensure balanced and effective decision-making. In this regard, the Board has Directors of Malaysian and foreign nationalities with industry specific skills coupled with Directors who have generalised skills and expertise. Independence is also part of our Board selection criteria for the appointment of new Board members. Other selection criteria are disclosed under Practice 4.4 (Board Appointments). The key consideration for the selection of a Board member will always remain at selecting and appointing the most suitable candidate with the right profile, skill set, qualification and experience, irrespective of the gender of the individual.</p> <p>The Board also has in place a Diversity Policy, which sets out the intention of increasing the participation of women in the Group at all levels, with a target of at least 30% women on the Board. Notwithstanding this target, Board appointments are based on merit, focusing on the potential value-add that each candidate will bring to the Board. The Diversity Policy has been recently updated in July 2019 to highlight the importance of diversity and inclusion in the Group's culture, for enhanced value creation.</p> <p>Our Board will endeavour to apply the CG best practices where they are relevant to our circumstances and in the best interests of our Group.</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	:		
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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	:	Our Board, in identifying candidates for appointment of Directors, relies on recommendations from various sources including our existing Directors and a wide network of industry contacts including independent sources.	
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 4.7

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

Application	:	Applied.	
Explanation on application of the practice	:	Our NC is chaired by Dato’ Dr Zaha Rina Zahari, who is an INED.	
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 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>Our Board undertakes a formal and objective evaluation to determine the effectiveness of our Board as a whole, our Board Committees and individual directors on an annual basis. The evaluation includes an assessment of the independence of our INEDs.</p> <p>The Board Effectiveness Evaluation (BEE) is an annual process which is facilitated by our NC with the assistance of the Company Secretaries. The evaluation is carried out through questionnaires with self and peer assessment. A summary of our NC's activities is contained in the Report of the NC on pages 106 and 107 of our Annual Report 2018/2019.</p> <p>The parameters used in the BEE are set out in the CG Overview Statement on pages 75 to 77 of our Annual Report 2018/2019.</p> <p>Based on the findings from the BEE FY19, our Board and Board Committees have discharged their roles and responsibilities in accordance with their respective charters. Our Board will continue to focus on the following identified areas in the current financial year:</p> <ul style="list-style-type: none"> (a) Monitoring of strategy execution; (b) Female Board member and Senior Management succession; (c) Risk management; and (d) Training program on exploration and production business and workshops on current issues faced in the oil and gas industry.
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

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><u><i>Directors' Remuneration Policies and Procedures</i></u></p> <p>The Board has implemented the <i>Directors' Remuneration Policy</i>, which prescribes the fundamental principles of remuneration and acknowledges the various phases that the Company will undergo in its evolution and growth process. In this regard, the prescribed policy has been updated in July 2019 to recognise that the nature of the Group's business activities in the Exploration & Production segment within the Oil & Gas industry requires a suitable mix of Directors with specialised technical knowledge, width and depth of relevant experience and business network, and to also emphasize that as the Group continues to undergo various phases in its growth evolution, the Directors' Remuneration packages will be assessed annually by the RC to ensure that the Directors are fairly remunerated based on the financial performance of the Group, the nature and size of the Group's operations, the scope of Directors' duties and accountability, the level of engagement required from NEDs in the form of meetings, workshops and discussions, and/or market standard.</p> <p>Our philosophy is that NEDs' remuneration should be attractive to retain existing Board members and motivate individuals of the necessary calibre, expertise and experience to join our Board.</p> <p>Our NEDs' remuneration adhere to a schedule of fixed fees in accordance with their responsibilities on our Board and Board Committees. In determining NEDs' remuneration, the RC and Board consider various factors including experience, time commitment, level of responsibilities and complexity of roles and responsibilities shouldered, special assignments and risks assumed as a Director. Further details on the Directors' remuneration can be referred to on pages 77, 78, 204 and 205 of our Annual Report 2018/2019.</p>

	<p>In addition to annual fees as a member of our Board and their responsibilities on our Board Committees, our Directors are entitled to be reimbursed for expenses which are reasonably incurred by them in the course of discharging their duties. Directors are also paid a fixed meeting allowance on a per meeting basis for attending Board and Board Committees meetings.</p> <p>Our Executive Director/MD is not entitled to any Director’s fees.</p> <p>Our Company has obtained approval of its shareholders for payment of Directors’ remuneration on a quarterly basis at the previous annual general meeting (AGM) held on 4 December 2018. In respect of the financial year ended 30 June 2019, the detailed remuneration paid to our Directors has been disclosed on a named basis as required under Practice 7.1 of this CG Report. Total NEDs’ fees and benefits incurred in financial year ended 30 June 2019 amounted to RM718,500, which is in accordance to the amount approved by our shareholders at our AGM in 2018. Please refer to Note 38 on page 209 of our Annual Report 2018/2019 and pages 30 to 32 of this CG Report.</p> <p>To ensure that our Directors receive fair compensation, our Board via our RC, reviews the level of Directors’ remuneration on a periodic basis. Our RC’s TOR is published on our Company’s website.</p> <p>A proposed revision to our NEDs’ remuneration as set out in the right column of the table below is planned to be tabled for shareholders’ approval at the forthcoming AGM scheduled on 4 December 2019 in accordance with Section 230 of the Act:</p>												
	<table><tr><th>Type of Fees/Meeting Allowances</th><th>Existing Fees/Meeting Allowances from 5 December 2018 to 4 December 2019</th><th>Proposed New Fees/Meeting Allowances from 5 December 2019 to the next AGM in 2020</th></tr><tr><td>Non-Executive Chairman’s Fees per annum</td><td>RM90,000</td><td>RM120,000</td></tr><tr><td>NEDs Fees (save for the Chair of the Board) per annum</td><td>RM90,000</td><td>RM100,000</td></tr><tr><td><u>Meeting Allowances</u> For each meeting of the Board and of the Board Committee that a NED attends as Chair of the meeting</td><td>RM4,500</td><td>RM4,500</td></tr></table>	Type of Fees/Meeting Allowances	Existing Fees/Meeting Allowances from 5 December 2018 to 4 December 2019	Proposed New Fees/Meeting Allowances from 5 December 2019 to the next AGM in 2020	Non-Executive Chairman’s Fees per annum	RM90,000	RM120,000	NEDs Fees (save for the Chair of the Board) per annum	RM90,000	RM100,000	<u>Meeting Allowances</u> For each meeting of the Board and of the Board Committee that a NED attends as Chair of the meeting	RM4,500	RM4,500
Type of Fees/Meeting Allowances	Existing Fees/Meeting Allowances from 5 December 2018 to 4 December 2019	Proposed New Fees/Meeting Allowances from 5 December 2019 to the next AGM in 2020											
Non-Executive Chairman’s Fees per annum	RM90,000	RM120,000											
NEDs Fees (save for the Chair of the Board) per annum	RM90,000	RM100,000											
<u>Meeting Allowances</u> For each meeting of the Board and of the Board Committee that a NED attends as Chair of the meeting	RM4,500	RM4,500											

	<u>Meeting Allowances</u> For each meeting of the Board and of the Board Committee that a NED attends as member of the meeting	RM3,500	RM3,500
	<u>Specific Meeting Allowances</u> For each specific meeting that a NED attends, amongst others, with third parties, for and on behalf of the Company	RM3,500	RM3,500
<p>Further details of the proposed revisions are set out in the Notice of the 9th AGM dated 31 October 2019 (Notice) and the accompanying explanatory notes to the Notice.</p> <p><u>Senior Leadership Remuneration Policies and Procedures</u></p> <p>In selecting a candidate intended to be appointed as Senior Management, various factors are carefully considered such as skill set, education level, breadth of experience, level of accountability and complexity of job responsibility, that may contribute towards the discharge of their respective duties.</p> <p>Senior Management's remuneration typically comprises a fixed monthly basic salary and a discretionary annual cash performance bonus.</p> <p>The performance of Senior Management (who report directly to the MD) is evaluated by our MD, who recommends merit increments (MI) and performance bonuses (PB) based on a proposal that is reviewed by our RC and approved by our Board.</p> <p>The overall Group MI pool (budget) is determined through benchmarks against industry remuneration movements, while the PB pool (budget) is dependent on the Group's performance against an agreed Corporate Scorecard. The allocation of MI and PB to individuals is further subject to each individual's performance for that year.</p> <p>Our NC reviews the performance appraisals of Senior Management to provide another layer of objectivity to the performance evaluation conducted by the MD, and reports the same to our Board.</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

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

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

Practice 6.2

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

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

Application	:	Applied.
Explanation on application of the practice	:	<p>Our RC comprises all NEDs, a majority of whom are independent. The TOR of our RC is reviewed periodically and published on our Company's website.</p> <p>The primary functions of our RC are to assist our Board in reviewing matters relating to the remuneration of our NEDs, MD and Senior Management (who report directly to the MD).</p> <p>A recommendation has been made to our Board to seek shareholders' approval for a proposed revision in our NEDs' remuneration at the forthcoming AGM in December 2019.</p> <p>Our RC (together with our NC) also reviewed and recommended the Company's Corporate Scorecard, setting out the key performance indicators which will be used for measuring our Group's performance. Based on achievements against the said Corporate Scorecard, a recommendation was made to our Board for approval in respect of an overall performance bonus for the employees of our Group.</p> <p>A summary of our RC's activities is in the Report of the RC on page 109 of our Annual Report 2018/2019.</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

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

Practice 7.1

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

Application	:	Applied.		
Explanation on application of the practice	:	The detailed breakdown of the remuneration paid to our Directors on a named basis for financial year ended 30 June 2019 is set out in the table below:		
		NEDs	Fees	Meeting Allowances
		Zainul Rahim bin Mohd Zain	RM90,000.00	RM106,500.00
		Dato’ Sri Roushan Arumugam	RM90,000.00	RM65,000.00
		Thomas Michael Taylor	RM90,000.00	RM99,500.00
		Dato’ Dr Zaha Rina Zahari	RM90,000.00	RM87,500.00
		The MD’s remuneration can also be referred to in the Audited Financial Statements on page 204 of the Annual Report 2018/2019.		
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>Our Board is satisfied that our Senior Management's remuneration packages commensurate with the job scope, responsibilities and accountabilities of their positions, as well as their respective individual performance, and that the total compensation for the top five key Senior Management as a percentage of total revenue is appropriate.</p> <p>Disclosing Senior Management remuneration would be disadvantageous to the Group, given the competitiveness in the market for talent. We also wish to protect the personal security of the respective personnel. Finally, we believe that remuneration packages of individuals should be kept confidential.</p>
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	Our Board will continue to re-visit this matter on a periodic basis, including the possible implications if disclosure is made, to determine whether a change in disclosure decision is appropriate.
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 7.3 - 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 :	Our Group holds valid concerns if disclosure is made (as detailed in Practice 7.2). Nevertheless, our Board will continue to re-visit this matter on a periodic basis, including the possible implications if disclosure is made, to determine whether a change in disclosure decision is appropriate.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The Chairman of our ARMC, Mr Thomas Michael Taylor is not the Chairman of our Board. Our ARMC Chairman's profile is on page 57 of our Annual Report 2018/2019 and on our Company's website.</p> <p>The Chairman of our Board is Encik Zainul Rahim bin Mohd Zain whose profile is on page 56 of our Annual Report 2018/2019 and on our Company's website.</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

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	:	Our Board has not appointed any former audit partner as a member of our Board. The Board has approved the policy that the ARMC Terms of Reference incorporates the requirement that any former key audit partner must observe a cooling-off period of at least two years before being appointed as a member of the ARMC.
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

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>Our ARMC conducts an annual assessment of the effectiveness of PricewaterhouseCoopers PLT (PwC), our External Auditor.</p> <p>The ARMC has received an annual written assurance of independence in accordance with PwC's requirements and the provisions of the By-laws on Professional Independence of the Malaysian Institute of Accountants. With respect to the financial year ended 30 June 2019, PwC has re-affirmed their independence to act as the Company's external auditors as set out in the External Auditor's Report on pages 129 and 134 of our Annual Report 2018/2019.</p> <p>The areas of assessment conducted by our ARMC on PwC include:</p> <ul style="list-style-type: none"> (i) the quality and rigour of the audit performed; (ii) the quality of service provided; and (iii) the audit firm's reputation. <p>Based on the abovementioned confirmation by PwC and the assessment undertaken, the ARMC believes that the independence of PwC has been maintained. The ARMC is satisfied that PwC has performed satisfactorily throughout the financial year ended 30 June 2019.</p> <p>Accordingly, the ARMC supports the resolution for their re-appointment at the forthcoming AGM in December 2019.</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

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	:	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 8.5

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 members of our ARMC possess the necessary qualifications/experience in financial and auditing matters. Their profiles are disclosed on pages 56 to 58 of our Annual Report 2018/2019 and on our Company's website. In addition, at least two (2) members have industry specific expertise in leadership positioning which required an understanding of how accounting rules generally apply to the industry.</p> <p>The effectiveness of our ARMC is evaluated as part of the annual BEE and based on the findings from the BEE (for financial year ended 30 June 2019), our Board is satisfied that the ARMC has carried out its responsibilities in accordance with its TOR. A summary of our ARMC's activities is contained in the Report of ARMC on pages 110 to 112 of our Annual Report 2018/2019.</p> <p>To keep abreast of relevant developments in accounting and auditing standards, our ARMC members are regularly briefed by the External Auditors on key changes in accounting standards, practices and rules.</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

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>Our Board has established a Risk Management Framework which includes processes for identifying, evaluating and managing any significant risk faced by the Group. Risk assessment and evaluation are integral to the Group's strategic planning and day-to-day operations. There is a detailed risk management process, culminating in a Board review, which identifies the key risks facing the Group and each business unit. This information is reviewed by Management as part of the strategic review and periodical business performance process, of which the most recent was held during this financial year. Pursuant to such review, the framework has been updated to reflect the necessary changes required in view of the Group's business growth and expanded operations.</p> <p>Our Board is supported by our ARMC, which has oversight of the risk management and internal control systems of our Group.</p> <p>Senior Management is responsible for the implementation of a sound Risk Management Framework to ensure:</p> <ul style="list-style-type: none"> (i) a continuous process of risk identification, evaluation and management (to an acceptable level as prescribed within the risk appetite); and (ii) captures the dynamics of changing business and regulatory environments, all of which are subject to regular review by our ARMC and Board. <p>The Risk Management function, led by the Chairman of the Executive Risk Management Committee (ERMC), ensures the establishment and maintenance of the framework which includes risk profile reviews and recommended mitigation actions. The ERMC reports to our Board via our ARMC on a quarterly basis.</p> <p>Our ARMC is also supported by the Group's Internal Auditor who provides independent validation of the risk management, control and governance process of our Group.</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

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>The salient features of our risk management and internal control framework are disclosed in the Statement on Risk Management and Internal Control on pages 113 to 118 of our Annual Report 2018/2019 comprise the following:</p> <ol style="list-style-type: none"> <p><u>Risk Management Framework (RMF)</u></p> <p>The RMF is designed to identify, evaluate and manage a specific level risk to a level that is as low as reasonably practicable to achieve business objective and strategies.</p> <p>It provides guidance for a systematic approach known as our risk cycle which includes identification, assessment, response, monitoring and reporting of risks that is consistently applied throughout our Group.</p> <p>Our risk governance structure which guides the risk management and control processes adopts a top down approach which depicts the key relevant parties from our Board and ARMC, to ERM followed by Risk Manager function and Risk officers. The RMF has been updated during this financial year to reflect the necessary changes required in view of the Group's business growth and expanded operations.</p> <p><u>Control Activities</u></p> <p>Our Board and Management are committed to maintaining an effective internal control environment through continuous enhancement to the design of internal control systems to ensure controls are relevant, effective and robust to promote operational agility. The key controls include:</p> <ol style="list-style-type: none"> the LOA framework which stipulates the key decision-making and approval authority delegated by our Board to Management. In this regard, the HPB Group's LOA has been updated in April 2019 with a new stand-alone LOA also introduced for Project Marigold and Sunflower in May 2019;

	<p>(b) the Code, designed to reduce (if not eradicate) any malpractices, has been extended to include the Group's commitment against modern slavery practices, has been refined in March 2019;</p> <p>(c) the introduction of an Anti-Corruption and Anti-Bribery Policy in July 2019 to reiterate the Group's zero tolerance for all forms of bribery and corruption, while providing clarity on the parameters and controls instituted to facilitate understanding and monitoring;</p> <p>(d) the introduction of a stand-alone Anti-Modern Slavery Policy in July 2019 to reiterate the Group's seriousness in ensuring that no form of forced, bonded or underage labour exist in the Group's business and supply chain;</p> <p>(e) continuous enhancement of our security framework to ensure security threats are managed effectively;</p> <p>(f) operating policies and procedures to ensure processes adequately mitigate risk with appropriate internal controls;</p> <p>(g) insurance coverage to adequately safeguard the Group and our assets; and</p> <p>(h) deliberation by Management of the Group risk profile to ensure overall risks impacting our Group are adequately identified and managed.</p> <p>3. <u>Information and Communication</u> Our Board continuously emphasises through Senior Management, communication with all employees in carrying out their internal control responsibilities. Regular reviews are conducted of the work done by the ERM (via the ARM) and the Group Internal Auditor to ensure risk profiles, policies and procedures are updated and aligned.</p> <p>Additionally, our Group policies are published and updated on our intranet for easy access by employees.</p> <p>4. <u>Monitoring and Reporting</u> Our Board and Management continuously assess the effectiveness of monitoring activities and take necessary measures to strengthen our risk management and internal control environment.</p> <p>The ERM reports to our Board on a quarterly basis through our ARM, on our Group's risk profile which also addresses preventive and mitigation strategies.</p>
<p>Explanation for departure</p>	
<p>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</p>	

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	:	Not adopted.
Explanation on adoption of the practice	:	<p>Having regard to the fact that audit and risk management matters are closely linked, as well as taking into consideration our Board size and composition, our Board has determined that a single committee would be able to oversee the implementation of the audit, internal control and risk management policies and framework effectively.</p> <p>To assist our Board in overseeing our Group's risk management framework and policies, our then audit committee was re-named as our ARMC in 12 February 2013 and the ARMC's TOR was revised to further expand its scope to include risk management oversight.</p> <p>Our ARMC comprises solely of NEDs, with a majority being independent directors.</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>Our Group's internal audit function is carried out by the Internal Auditor (IA). In certain areas, the IA has been supported with external resources during the financial year ended 30 June 2019. Our ARMC is supported by the IA which provides independent validation on the risk management, internal control and governance processes of our Group.</p> <p>Our ARMC conducts an annual assessment of the IA's effectiveness.</p> <p>The IA's role is governed by the Group Internal Audit Charter. The Group Internal Audit Charter was approved by our ARMC in March 2018.</p> <p>The IA reports functionally and administratively to our ARMC Chairman. The appointment of the IA is a matter reserved for our Board based on the ARMC's recommendation. Our ARMC is also responsible for evaluating the independence of the IA, which had been carried out, as per standard practice, in October 2019. Our ARMC meets the IA without the presence of Management on a regular basis.</p> <p>Our ARMC has evaluated and approved the Internal Audit Plan for the first half of financial year ending 2020 that sets out the scope of internal audit reviews in May 2019.</p> <p>The IA keeps abreast of developments in the profession and industry through attendance at trainings aimed at equipping herself with relevant skills appropriate to her level.</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

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

Practice 10.2

The board should disclose–

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

Application	:	Applied.
Explanation on application of the practice	:	<p>The IA is required to declare to our ARMC that she is free from any relationship or conflict of interest which would impair her objectivity or independence. Such declaration has been recorded in October 2019.</p> <p>The IA role is governed by the Group IA Charter to ensure that its purpose, authority and responsibility reflect developments in IA's activities promulgated by internal audit professional bodies.</p> <p>Further information on the IA function is included as part of the Report of the ARMC on pages 111 to 112 and 117 to 118 of our Annual Report 2018/2019.</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

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>Our Board believes in effective, transparent and regular communication with its shareholders and other stakeholders.</p> <p>Mr Thomas Michael Taylor, our SINED, acts as our Board's designated contact for consultation and direct communication with our shareholders. Together with our Chairman, they are the contact persons for shareholder communication as disclosed in our Annual Report 2018/2019.</p> <p>The Group leverages on information technology to disseminate material information to the public. From the website (www.hibiscuspetroleum.com), stakeholders can access information such as annual reports, notice of general meetings, investor briefing slides, press releases, public announcements and frequently asked questions, amongst others.</p> <p>Our Company holds quarterly analyst briefings supplemented with webcasts, and ensures that our Company's website is regularly updated with current and relevant information to provide up-to-date information on our Group.</p> <p>Our Board also engages with shareholders at our AGM. The AGM affords an opportunity to our shareholders to raise their questions pertaining to our Group's performance directly to our Board, MD and Management.</p> <p>419 shareholders and proxies representing 32.12% of our Company's issued share capital at the time attended our AGM in December 2018. Our Board members (including MD) and Management attended the AGM and responded to questions raised by our shareholders and their proxies. An overview of our Group's results and other achievements in the last financial year was presented by our MD during the meeting.</p> <p>Voting procedures were explained by our Share Registrar prior to voting. As required by the LR, voting on all resolutions was conducted by poll whereby, Tricor Investor & Issuing House Services Sdn Bhd was engaged as the poll administrator and Deloitte Enterprise Risk Services Sdn Bhd was appointed as the independent scrutineers.</p>

	Minutes of the 8 th AGM held on 5 December 2018 were subsequently published on our Company’s website.	
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

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 Company is not a "Large Company" as defined under the Malaysian Code on Corporate Governance.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
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	:	<p>Our Company issues Notices of our AGM at least 28 days prior to the meeting to accord sufficient time to our shareholders to prepare for the meeting and make informed voting decisions.</p> <p>In respect of our 9th AGM scheduled on 4 December 2019, the Notice of AGM and Annual Report 2018/2019 were issued on 31 October 2019, giving our shareholders notice 33 days prior to the meeting.</p> <p>Notice of our AGM is also posted on our Company's website as soon as it is issued to ensure wider and proper dissemination.</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

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>Our annual Board meeting calendar is prepared prior to the commencement of a new financial year so that our Directors are able to lock-in the dates of our AGM, Board and Board Committees' meetings. All our Directors attended the 8th AGM on 4 December 2018.</p> <p>Our Board Chairman and SINED presided over the 8th AGM, and together with the Board, our MD and Management addressed various questions from our shareholders and their proxies.</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

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>Our 8th AGM, of which voting on the resolutions set out in the Notice of 8th AGM was conducted via an electronic voting system, was held at a convenient location within the city centre with access to public transportation, so as to encourage shareholders' attendance. Shareholders who are unable to attend are permitted to appoint up to two proxies to attend and vote on their behalf.</p> <p>Attendees at our 8th AGM in December 2018 were not very large i.e. 419 shareholders and proxies (representing 32.12% of our Company's issued share capital at the time).</p> <p>Our Board is of the view that the current state of technology that enables voting in absentia has not been proven in terms of security and reliability. Further, the cost of implementing such technology is another factor for consideration.</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	:	

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

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

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