

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Perdana Petroleum Berhad (the “Company” or “Perdana”) firmly believes that good corporate governance is the key to the improved long-term performance of the Group and that a sound governance structure is fundamental to safeguard the interests of all its stakeholders.

In this Statement, the respective Boards Committees’ report on the manner in which Perdana has adopted and applied the principles and practices as set out in the Malaysian Code on Corporate Governance (“MCCG”) and the governance standards prescribed in the Main Market Listing Requirements (“MMLR”) issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) in connection with all activities conducted by Perdana throughout the year under review.

The Board is of the opinion that Perdana has, in all material aspects, complied with the principles and practices set out in the MCCG. The detailed application by Perdana for each practice as set out in the MCCG during the financial year ended 31 December 2019 (“FY 2019”) is disclosed in the Corporate Governance Report (“CG Report”) which is available on Perdana’s website at [www.perdana.my](http://www.perdana.my).

The key participants in good governance and the ways in which they relate to each other and contribute to the application of the effective governance policies and processes are established in the governance documents comprising the Constitution, Board Charter, Terms of Reference of Board Committees, and Enterprise Risk Management Framework.

## THE BOARD OF DIRECTORS (THE “BOARD”)

### Board Charter

The Board’s main duties include regular oversight of the Group’s business operations and financial performance and ensuring that the infrastructure, internal controls, and risk management processes are firmly in place to assess and manage business risks, inter-alia, operational, credit, market and liquidity risks. The Board has formalised these duties into a Board Charter and have a Code of Conduct to ensure the implementation of appropriate internal systems to support, promote and ensure its compliance. A whistleblowing policy was also adopted as part of the Company’s commitment to the highest standards of professional integrity, ethical behavior, transparency and fair dealing in the conduct of its business. The Directors discharge their duties as effective Board members with personal dedication of time and ability to bring new and different perspectives to the Board. The Board Charter, which clearly sets out the roles and responsibilities of the Board, its Committees (“Board Committees”), Chairman and Executive Director, is available on the corporate website of the Company for easy access.

### Size and Composition

The Board currently comprises ten (10) members of whom three (3) are Executive Directors, including the Executive Chairman, and seven (7) are Non-Executive Directors which include one (1) is an alternate Non-Executive Director.

Four (4) of the Non-Executive Directors are independent and meets the Independent Director criteria as set out in the Bursa Securities MMLR. The Board is consistently identifying candidates to filling up the composition required.

The Board has assessed and found that the Independent Non-Executive Directors are independent of Management and free from any business or other relationship with the Group which could materially affect the exercise of their independent judgment. The Independent Non-Executive Directors facilitate the Board to exercise objective judgment independently in particular from the Management. The Board is satisfied with the level of independence demonstrated by the Directors throughout the year and their ability to act in the best interest of Perdana Group.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

(CONTINUED)

### THE BOARD OF DIRECTORS (THE “BOARD”) (CONT’D)

#### Size and Composition (Cont’d)

Practice 4.2 of the MCCG states that the tenure of an Independent Director should not exceed a cumulative term of 9 years. However, an Independent Director may continue to serve the Board subject to the Independent Director’s re-designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain the Director as independent after a cumulative term of 9 years, justifications from the Board and shareholders’ approval at a general meeting are required. An Independent Director who continues to serve the Boards after the 12th year of appointment will now require shareholders’ approval at a general meeting through a 2-tier voting process as prescribed under the MCCG.

The Board stands guided by the principles and practices of the MCCG in adhering to the best corporate governance practices.

Currently, none of the Independent Directors of Perdana Board has served more than 9 years.

The current composition is well balanced and caters effectively to the scope and complexity of the Group’s operations as a leading and preferred offshore marine operator for the upstream oil and gas industry in the region.

One of the recommendations of MCCG is to have at least half of the Board comprise independent directors. The Board is consistently identifying candidates to comply with the recommendation.

The Board viewed that with the existing Board structure of having four (4) Independent Non-Executive Directors out of ten (10) Board members is sufficient to provide the necessary checks and balances on the decision-making process of the Board in the meantime. The Independent Directors provide independent and objective judgement as well as impartial opinion on Board deliberations and decision making and significant contributions of the Independent Directors is evidenced on their participation as members of the committees of the Board.

The Company has on 23 August 2018 adopted a gender diversity policy for both the Board and its Senior Management and the same is available on the Company’s website. The Diversity Policy recognises the inclusion of different perspectives and ideas, mitigates against group think and ensures that the PPB Group has the opportunity to benefit from all available talent. The promotion of a diverse Board makes prudent business sense and makes for better corporate governance. Although for the FY2019, the Board only has male directors, there is diversity in terms gender, ethnicity and age at the Senior Management level as follows:

Diversity in:				
		%		%
GENDER	MALE	71	FEMALE	29
RACE/ETHNICITY	MALAY	43	INDIAN & CHINESE	57
NATIONALITY	MALAYSIAN	100	NON-MALAYSIAN	0
AGE GROUP	30 TO 50 YEARS	43	ABOVE 50 YEARS	57

The age of the Directors ranges from 43 to 74 as the Board believes that this creates an environment where each generation brings different skills, experience and talents to the Board. As the Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage, the Company has on 15 May 2020 appointed Puan Siti Nur Binti Mokhtar to the Board.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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**THE BOARD OF DIRECTORS (THE “BOARD”) (CONT’D)****Board Meetings and Supply of Information (Cont’d)**

The Board meets regularly, at least once every quarter to review the business and financial performance of the Group.

Members of the Board deliberate and in the process evaluate the potential risks and viability of business propositions and corporate proposals that have significant impact on the Group’s business or on its financial position.

The Chairman of the Board Committees will inform the Directors at Board meetings, matters and recommendations which the Board Committees’ view ought to be highlighted to the Board.

Board meetings are governed by a structured formal agenda and the agenda for each Board meeting and papers relating to the agenda items are forwarded to all Directors for their perusal one (1) week in advance of the date of the Board meeting. Board meeting papers are circulated to Directors include details of business propositions and corporate proposals including where relevant, supporting documents such as professional advice from solicitors or advisers. The Directors are thus able to peruse the Board papers and appraise the issues to be deliberated at the Board meeting well before the date of the meeting.

The Board has direct access to the Senior Management and has complete and unimpeded access to information relating to the Company in the discharge of their duties. The Directors may require to be provided with further details or clarifications on matters tabled at Board meetings. Senior Management Officers are invited to attend the Board meetings to update the Board on their respective portfolios and to brief the Directors on proposals submitted for the Board’s consideration. Professional advisers, accountants and solicitors appointed by the Company to advise on corporate proposals to be undertaken by the Company would be invited to attend Board meetings to render their advice and opinion, and also to clarify any issues raised by the Directors relating to the corporate proposals tabled for the Board’s consideration. The Directors have the liberty to seek external professional advice at the Company’s expense, if they so require.

The Directors are also regularly updated and advised by the Company Secretary on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities, including amendments to the MMLR by Bursa Securities. Every member of the Board has ready and unrestricted access to the advice and services of the Company Secretary. The Company Secretary attends all Board and other Board Committees’ meetings and ensures that accurate and proper records of the proceedings of Board and Board Committees’ meetings, and their resolutions passed are kept.

The Board is satisfied with the time commitment provided by the Directors in ensuring effective discharge of their duties and responsibilities as reflected by the high number of Board meetings held during the FY2019.

During the FY2019, the Board met seven (7) times and the attendance records of the present and past Board members are as follows:-

<b>Name of Directors</b>	<b>Attendance</b>
Datuk Ling Suk Kiong	7/7
Mr Bailey Kho Chung Siang	7/7
Datuk Dr Abd Hapiz bin Abdullah	5/7
Datuk Mohd Jafni bin Mohd Alias	7/7
Ms Emily Hii San San (appointed on 02.01.2020)	N/A
Mr Chin Chee Kong	6/7
Dato’ Gerald Hans Isaac	6/7
En Alias bin Mat Lazin	6/7
Datuk Hasmi bin Hasnan	4/7
Datuk Selva Kumar A/L Mookiah (retired on 21.05.2019)	1/7
Siti Nur Binti Mokhtar (appointed on 15.05.2020)	N/A

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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### THE BOARD OF DIRECTORS (THE “BOARD”) (CONT’D)

#### Directors’ Training and Education (Cont’d)

The Group acknowledges that continuous education is vital for the Board members to gain insight into the state of economy, technological advances and regulatory updates. The Directors are encouraged to attend continuous education programmes to further enhance their skills and knowledge, where relevant. All Directors have completed the Mandatory Accreditation Programme pursuant to the MMLR of Bursa Securities and have been briefed by the Management on the operations and policies of the Company to familiarise themselves with the Company’s business.

During the FY2019, the Directors have individually or collectively attended the following courses / seminars set out below:

- SSM National Conference 2019 with the theme “Future – Proofing Business In The Digital Age”
- Session on Corporate Governance & Anti-Corruption
- Confidence, Optimism, Determination, & Enthusiasm Presentation to the Management
- How Ready Is Your Company To Safeguard Your Directors, Top Management and Personnel Against A Corruption Prosecution?
- Sustainability Inspired Innovations: Enablers of the 21st Century
- Naim’s Corporate Retreat
- Managing Business Re-organisation Effectively
- Shifting Tides: Future of Finance, a Finance Industry Conference
- (A) Anti-Money Laundering & Counter Financing of Terrorism Regime Training
- (B) Briefing on BNM’s Policy Document on Credit Risk
- Trade Based Money Laundering Training
- (A) MFRS Updates 2019/2020 Seminar
- (B) Tax and Business Seminar
- Fraud Risk Management
- Corporate Liability Provision on Corruption under MACC Act 2009

#### Appointment of Board Members

The proposed appointment of a new member of the Board other than those nominated by shareholders for appointment at the Annual General Meeting and the proposed re-election of existing Directors who are seeking re-appointment or re-election at the Annual General Meeting of the Company will be reviewed and assessed by the Nomination Committee. The Nomination Committee will, upon its review and assessment, submit its recommendation on the proposed appointment or re-election of Directors to the Board for approval.

The Board is entitled to the services of the Company Secretary who would ensure that all appointments are properly made upon obtaining all necessary information from the Directors. All the assessments and evaluations carried out during the year were properly documented and minuted by the Company Secretary

#### Directors’ Remuneration and Term of Reference of Remuneration Committee

The Remuneration Committee carries out the review of the overall remuneration policy for Executive Directors whereupon recommendations are submitted to the Board for approval. The Remuneration Committee and the Board ensure that the Company’s remuneration policy remains supportive of the Company’s corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Executive Directors are sufficiently attractive to draw in and to retain persons of high caliber.

**CORPORATE GOVERNANCE OVERVIEW STATEMENT**

(CONTINUED)

**THE BOARD OF DIRECTORS (THE “BOARD”) (CONT’D)****Directors’ Remuneration and Term of Reference of Remuneration Committee (Cont’d)**

The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration. The Non-Executive Directors are paid annual fees and attendance allowance for each Board meeting that they attend.

The Remuneration Committee comprise only of Non-Executive Directors, a majority of whom are Independent Non-Executive Directors

The responsibilities of the Remuneration Committee are as follows:

- a. To recommend to the Board the framework of Executive Directors’ remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary;
- b. To recommend to the Board any performance related pay schemes for Executive Directors;
- c. To review Executive Directors’ scope of service contracts; and
- d. To consider the procurement of the service of such advisers or consultants as it deems necessary to fulfill its functions.

Meetings of the Remuneration Committee are held as and when necessary.

**Re-appointment and Re-election of Director**

The Constitution of the Company provide that at every Annual General Meeting, one-third of Directors for the time being and those appointed during the financial year shall retire from office and shall be eligible for re-election. The Constitution further provide that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

**Board Committees**

The Board has established Board Committees to assist the Board in the running of the Company. The functions and terms of reference of Board Committees as well as the authority delegated by the Board to these Committees are clearly defined by the Board.

The Board Committees are as follows:

- Audit and Risk Management Committee
- Nomination Committee
- Remuneration Committee

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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### THE BOARD OF DIRECTORS (CONT'D)

#### Board Committees (Cont'd)

The composition of the current Board Committees is reflected as follows:

	Audit and Risk Management Committee	Nomination Committee	Remuneration Committee
Datuk Dr Abd Hapiz bin Abdullah	Chairman	Member	Member
Mr. Chin Chee Kong	Member	Member	Chairman
Datuk Mohd Jafni bin Mohd Alias	Member	Chairman	Member
Datuk Selva Kumar A/L Mookiah (retired on 21.05.2019)	Member	Member	Member
Siti Nur Binti Mokhtar (appointed on 15.05.2020)	Member	–	Member

#### Directors' Remuneration

The Remuneration Committee has been delegated the responsibility to review and recommend to the Board the remuneration packages and other terms of employment for the Executive Directors.

The details of the remuneration of the Directors of the Company for the FY2019 are as follows:

Group	Fees (RM'000)	Allowances (RM'000)	Meeting Allowances (RM'000)	Salaries (RM'000)	Total (RM'000)
Datuk Ling Suk Kiong	–	148	–	–	148
Bailey Kho Chung Siang	–	108	–	229	337
Alias bin Mat Lazin	–	121	–	–	121
Datuk Dr Abd Hapiz bin Abdullah	72	–	8	–	80
Datuk Mohd Jafni bin Mohd Alias	72	–	9	–	81
Chin Chee Kong	72	–	9	–	81
Dato' Gerald Hans Isaac	72	–	3	–	75
Datuk Hasmi bin Hasnan	72	–	2	–	74
Datuk Selva Kumar A/L Mookiah (retired on 21.05.2019)	28	–	5	–	33
Emily Hii San San (appointed on 02.01.2020)	–	–	–	–	–
Siti Nur Binti Mokhtar (appointed on 15.05.2020)	–	–	–	–	–

There is no bonus or benefit-in-kind declared for any of the Directors.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Board is committed to provide a balanced, clear and meaningful assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities.

The Board is assisted by the Audit and Risk Management Committee to oversee the financial reporting processes and the quality of the financial reporting of the Group. The Audit and Risk Management Committee reviews and monitors the integrity of the Group's annual and interim financial statements. It also reviews the appropriateness of the Group's accounting policies and the changes to these policies.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of the Group is set out below.

#### Internal Control

The Board has overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures and guidelines. The Group's Internal Audit Function is outsourced to an independent professional firm ("Outsourced Internal Auditor").

The size and complexity of the operations of the Group involves the acceptance and management of a wide variety of risks. The nature of these risks means that events may occur and which would give rise to unanticipated or unavoidable losses. The Group's system of internal controls is designed to provide reasonable and not absolute assurance against the risk of material errors, fraud or losses occurring. The Management meets regularly to ensure that the accountability for managing the significant risks confronting the Group are being satisfactorily addressed on an ongoing basis.

The effectiveness of the system of internal controls of the Group is reviewed by the Audit and Risk Management Committee during its quarterly meetings. The review covers the financial, operational and compliance controls as well as the risk management functions. The Outsourced Internal Auditor also reviews compliance with policies and standards and the effectiveness of internal control systems across the Group's different business cycles based on the approved internal audit plan.

The Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group, is set out in this Annual Report.

#### Audit and Risk Management Committee

In addition to the duties and responsibilities set out under its terms of reference, the Audit and Risk Management Committee also acts as a forum for discussion of internal control and risk management issues and it contributes to the Board's review of the effectiveness of the internal control and risk management systems of the Group.

The minutes of the Audit and Risk Management Committee meetings are tabled to the Board for noting and for action by the Board where appropriate.

The activities carried out by the Audit and Risk Management Committee during the year are set out under the Audit and Risk Management Committee Report in this Annual Report.

## **CORPORATE GOVERNANCE OVERVIEW STATEMENT**

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### **ACCOUNTABILITY AND AUDIT (CONT'D)**

#### **Relationship with External Auditors**

It is the policy of the Audit and Risk Management Committee to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and the Group's financial statements. Besides, the Audit and Risk Management Committee is accessible to the external auditors without the presence of the Management and Executive Director to discuss key auditing concerns and obtain feedback relating to the Company's affairs. The Audit and Risk Management Committee also meets with the external auditors whenever it deems necessary.

The services provided by the external auditors include statutory audits, and non-audit services. Terms of engagement for these services are reviewed by the Audit and Risk Management Committee and approved by the Board. The Audit and Risk Management Committee approves all other non-audit services on a case by case basis. In approving such cases, the Audit and Risk Management Committee reviews the independence and objectivity of the external auditors to ensure that these will not be compromised.

#### **Effective Communications with Shareholders**

A key element of good corporate governance is being transparent and accountable to all stakeholders. Underlying the transparency and accountability objectives is the provision of clear, relevant and comprehensive information which is timely and readily accessible to all stakeholders.

Taking cognizance of this, the Group maintains a high level of disclosure to and communication with its stakeholders with the provision of clear, comprehensive and timely information, particularly to shareholders and investors, for informed investment decision making, through a number of readily accessible channels.

The quarterly financial results announcements and annual report of the Company are a key channel of communication with shareholders and investors.

An important forum for communication and dialogue with shareholders is the general meetings of the Company where shareholders are given both the opportunity and the time to raise questions on the agenda items of the general meetings and where Directors of the Company would provide the answers and appropriate clarification where required.

The Company conducts separate media and analyst briefing with the release of its quarterly and annual results announcements when deemed necessary. The media briefings are intended not only to facilitate a wider dissemination of the announcement of the financial results of the Group to as wide an audience of investors and shareholders as possible but also to keep the investing public and shareholders updated on the progress and development of the business of the Group as well as any strategic developments within the Group.

To promote wider dissemination of corporate and financial information that is made public, the annual reports of the Company, the quarterly announcements of the financial results of the Group, announcements and disclosures made pursuant to the disclosure requirements of the Bursa Securities MMLR are available on Bursa Securities's website at [www.bursamalaysia.com](http://www.bursamalaysia.com) and other corporate information are also made available on the Company's website, [www.perdana.my](http://www.perdana.my).

Prompt and timely availability of information is also important for shareholders and investors to make informed investments decisions. Information that is out of date, albeit comprehensive and accurate, would be of less value to shareholders and investors. As such, the Group places a high priority on ensuring that information is made available and disseminated as early as possible.



**CORPORATE GOVERNANCE OVERVIEW STATEMENT**

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**ACCOUNTABILITY AND AUDIT (CONT'D)****Investor Relations**

Another important channel of communication with shareholders, investors and the investment community generally, both in Malaysia and internationally, is the Group's investor relations activities. The Group has a strong following amongst domestic and international institutional investors, fund managers and equity analysts, and a direct channel to them exists in the investor relations function of the Group. Management personnel responsible for the Group's investor relations function are of very senior levels, thereby providing views and information on the Group that is appropriate and substantive to investors and research analysts.

## RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

The Directors are required by the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“the Act”) to prepare financial statements in accordance with approved accounting standards so as to give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year, and of the results and cash flows of the Company and the Group for the financial year.

The Directors are responsible for ensuring that the Company and its subsidiaries maintain proper accounting records which disclose with reasonable accuracy the financial positions of the Company and the Group in compliance with the provisions of the Act and approved accounting standards in Malaysia.

In preparing the financial statements for the financial year ended 31 December 2019, the Directors have applied appropriate and relevant accounting policies consistently and in accordance with applicable accounting standards and made judgements and estimates that are reasonable and fair.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept which enable the preparation of the financial statements with reasonable accuracy.

In addition, the Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## ADDITIONAL COMPLIANCE INFORMATION

### Utilisation of Proceeds Raised From Corporate Proposal

#### a) Proposed Rights Issue of Redeemable Convertible Preference Shares

On 8 January 2020, 1,463,629,199 units Redeemable Convertible Preference Shares ("RCPS") were issued under the Rights Issue of RCPS at an issue price of RM0.325 per RCPS. The Rights Issue of RCPS raised proceeds of RM475,679,490. As at date hereof the proceed have been fully utilised.

	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Intended Timeframe for Utilisation</b>
Set-off Arrangement	306,011	306,011	Immediately
Partial repayment of advances owing to Dayang	148,989	148,989	Immediately
Working capital	19,179	19,179	Within 12 months
Estimated expenses for the Proposal	1,500	1,500	Immediately
	475,679	475,679	

#### b) Conversion of RCPS

As of 30 April 2020, a total of 1,430,121,478 RCPS which represents 97.7% of the total RCPS subscribed, have been converted into ordinary shares of the Company. As such, the Company's total issued ordinary share capital has increased to 2,208,592,427 units.

### Audit and Non-Audit Fees

The audit and non-audit fee paid to the external auditors, KPMG PLT and/or its affiliates for services rendered to the Group and the Company for the financial year ended 31 December 2019 is as follows:

	<b>Group (RM'000)</b>	<b>Company (RM'000)</b>
Audit Fee	230	62
Non-Audit Fees:		
Tax Fee	54	20
Other Fees	10	10
<b>Total</b>	<b>294</b>	<b>92</b>

**ADDITIONAL COMPLIANCE INFORMATION**

(CONTINUED)

**Material Contracts**

There were no material contracts entered into by the Company and/or its subsidiaries involving the Directors' and/or major shareholders' interest for the financial year ended 31 December 2019 other than the related party transaction with Dayang Enterprise Sdn Bhd for the chartering of vessels which has been disclosed in Note 28 of the audited financial statement for financial year ended 31 December 2019.

**Variation in Results**

There was no material variances between the audited results for the financial year ended 31 December 2019 and the unaudited results previously announced.