

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5256  
**COMPANY NAME** : REACH ENERGY BERHAD  
**FINANCIAL YEAR** : December 31, 2020

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("the Board") is collectively responsible in promoting the success of Reach Energy Berhad ("Reach Energy" or "the Company") and by directing and supervising its affairs in a responsible and effective manner. Each Director has a legal duty to act in the best interest of the Company.</p> <p>The Board recognises the key role it plays in charting the strategic direction of the Company and has established the following Committees to assist in carrying out its duties and responsibilities:</p> <ul style="list-style-type: none"><li>• Audit Committee ("AC")</li><li>• Nomination and Remuneration Committee ("NRC")</li><li>• Risk Management Committee ("RMC")</li></ul> <p>The Board had met eleven (11) times in the year under review with additional meetings held as and when required by the Board to discuss amongst others the administration and implementation of matters delegated to the Management which is overseen by the Board. The Board's roles and responsibilities have been set out in the Board Charter as follows:</p> <ul style="list-style-type: none"><li>• Reviewing and approving the overall strategic plans and direction of the Company;</li><li>• Overseeing and evaluating the conduct and performance of the Company;</li><li>• Identifying principal risks and ensuring implementation of a proper risk management system;</li><li>• Establishing a succession plan;</li><li>• Overseeing the development and implementation of a shareholder communication policy for the Company; and</li><li>• Reviewing the adequacy and the integrity of the management information and internal control systems of the Company.</li></ul>

	<p>The Interim-Chief Executive Officer (“Interim-CEO”), and the Management team are responsible for providing the vision and strategic direction of the Company and to formulate corporate strategies and develop the business. The Board will review and deliberate on the Management’s proposals at the Board Meetings as well as provide guidance in regard to the Company’s business strategies.</p> <p>The Company will continue to explore leveraging technology to broaden its channel of dissemination of information and enhance the quality of engagement with the shareholders.</p>
<b>Explanation for departure</b>	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	:
<b>Timeframe</b>	:

## Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman, Tan Sri Dr. Azmil Khalili bin Dato' Khalid ("Tan Sri Dr. Azmil"), holds a Non-Executive position and is primarily responsible for the overall leadership and functioning of the Board.</p> <p>The Chairman is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. The Board, under the leadership of the Chairman, works effectively and performs responsibilities with all key and appropriate issues discussed in a timely manner. The key responsibilities of the Chairman are as follows:</p> <ul style="list-style-type: none"><li>• To ensure the smooth and effective functioning of the Board.</li><li>• To provide leadership for the Board, ensuring that the Board carries out its responsibilities in the best interest of the Company and that all key issues are discussed in a timely manner.</li><li>• To lead the Board in its collective oversight of the management, facilitating active discussion and participation by all Directors and ensuring that sufficient time is allocated to discuss all relevant issues at Board meetings.</li><li>• To encourage active participation of the Board members and allows dissenting view to be freely expressed by ensuring that no Board member, whether executive or non-executive, dominates discussion, and that appropriate discussion takes place and that relevant opinion amongst Board members is forthcoming.</li><li>• To manage the interface between the Board and the Management by acting as the main conduit as well as develop positive relationship with the Chief Executive Officer.</li><li>• To lead the Board in establishing and monitoring good corporate governance practices in the Company.</li><li>• To act as a spokesperson for the Board and as the main representative of the Company alongside the Chief Executive Officer at the shareholders' meetings and on other occasions where key or major actions are taken or statements are made in the name of the Company to ensure appropriate steps are taken to provide effective communication with the stakeholders.</li></ul>

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

## Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The roles of the Chairman and the Interim Chief Executive Officer are separate to ensure balance of power and authority, so that no individual has unfettered powers of decision. The Executive Directors are responsible to the Board for implementing operational and corporate decisions while the Non-Executive Directors are responsible for providing independent views, advice and judgment in consideration of the interests of shareholders at large in order to effectively check and balance the Board's decision making process.</p> <p>The Chairman provides leadership at Board level, chairing the meetings of the Company and the Board, represents the Board to the shareholders and together with the Board, reviews and approves the strategic objectives and policies of the Group.</p> <p>The division of roles and responsibilities of the Chairman and the Interim-CEO is set out in the Board Charter which is made available on the Company's website – <a href="http://www.reachenergy.com.my">www.reachenergy.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by qualified and competent Company Secretaries. The Board has direct access to the advice and services of the Company Secretaries. Both the Company Secretaries of the Company are qualified to act as Company Secretaries under the Companies Act 2016 ("CA 2016") and are members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretaries play an advisory role to the Board in relation to the Company's Constitution, Board's policies and procedures, CG and compliance with the relevant regulatory requirements and legislations. The Company Secretaries are suitably qualified, competent and capable of carrying out the duties required.</p> <p>The Board recognises that the decision-making process is highly dependent on the quality of information furnished. In furtherance to this, every Director has access to all information within the Group and all meeting materials are prepared and issued to the Board of Directors and Board Committee members at least five (5) business days prior to the meetings to enable them to receive the information in a timely manner.</p> <p>For the year under review, the Company Secretaries attended all Board and Board Committees' meetings. Based on the annual review of the Corporate Secretaries, the Board is satisfied that the Company Secretaries have discharged their duties effectively.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board meets at least once in every quarter with additional meetings convened as and when necessary. The meeting agenda, the relevant reports and Board papers are furnished to the Directors and Board Committee members at least five (5) business days prior to the meetings to allow the Directors to have sufficient time to read them for effective discussion and decision making at the meetings. The Senior Management is invited to attend these meetings to explain and clarify matters being tabled. Matters requiring Board's decision during the intervals between the Board meetings are circulated and approved through circular resolutions.</p> <p>The Board has a formal schedule of matters reserved at Board Meetings which includes, corporate plans, annual budgets, Management and Group's performance review, operational updates and financial decisions, changes to the Management and control structure within the Group, including key policies and procedures and delegated limits of authorities.</p> <p>The Board is supplied with information in a timely manner and appropriate quality to enable them to discharge their duties with regards to the issues to be discussed. The Company Secretaries shall organise and attend all Board Meetings to ensure proper records of the proceedings. The minutes of meetings of Board and Board Committees will be circulated to the Board Committee members and other members of the Board for review and comments within a reasonable timeframe prior to the Chairman's confirmation at the next Board and Board Committees meetings.</p> <p>The deliberations and decisions at Board and Board Committee meetings are minuted in a clear, accurate and timely manner.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 2.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a Board Charter which clearly defines the respective roles and responsibilities of the Board, Board Committees' and management as well as issues and decisions reserved for the Board. These include the following:</p> <ul style="list-style-type: none"><li>• reviewing and approving the overall strategic plans and direction of the Company;</li><li>• overseeing and evaluating the conduct and performance of the Company;</li><li>• identifying principal risks and ensuring implementation of a proper risk management system;</li><li>• establishing a succession plan;</li><li>• overseeing the development and implementation of a shareholder communication policy for the Company; and</li><li>• reviewing the adequacy and the integrity of the management information and internal controls system of the Company.</li></ul> <p>In addition to the respective roles, responsibilities and authorities of the Board, the Board Charter also defines the issues and matters reserved for the Board's decision which include:</p> <ul style="list-style-type: none"><li>• corporate plans and programmes;</li><li>• annual budgets, including capital commitments;</li><li>• new ventures;</li><li>• acquisitions and disposals of undertakings and properties;</li><li>• changes to the management and control structure within the Company and its subsidiaries, including key policies; and</li><li>• funding/financing requirements for the Company and its subsidiaries.</li></ul> <p>The Board Charter is periodically reviewed by the Board to be in line with the Malaysian Code of Corporate Governance</p>

	<p>("MCCG"). The Board Charter is made available on the Company's website – <a href="http://www.reachenergy.com.my">www.reachenergy.com.my</a></p> <p>The Board is also responsible to ensure continuing education programmes for Directors to update their knowledge and enhance their skills to enable them to effectively discharge duties and sustain active participation in Board deliberation. In order to achieve this, the Board is assisted by the Company Secretaries who keep the Directors informed of relevant training programmes.</p> <p>In accordance to Paragraph 15.08(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Directors attended various external programmes in 2020 which include the following:-</p> <ol style="list-style-type: none"> <li>1. Corruption Risk Management Awareness Session</li> <li>2. Knowledge Sharing Session with MACC : Corporate Malaysia's New Norm (Speaker : MACC Officer)</li> <li>3. Anti-Bribery and Anti-Corruption Awareness Programme</li> <li>4. Corporate Board Leadership Symposium 2020</li> <li>5. The Board Chair - First Among Equals</li> <li>6. Governance Symposium 2020: Driving Governance in the New Normal: The Future Begins Now</li> <li>7. Corporate Liability Under The New Section 17A of The MACC Act</li> <li>8. What Directors and Top-level Management Need to Know</li> <li>9. Corporate Liability Provision (Section 17A) of the MACC Act 2019</li> <li>10. Mandatory Accreditation Program (MAP)</li> </ol>
<b>Explanation for departure</b>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	
<b>Timeframe</b>	

## Intended Outcome

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Code of Conduct serves to provide clear guidelines on permissible or non-permissible conduct in the business practices of the Company. The Code of Conduct is implemented to ensure that all employees and its representatives comply with the same standards.</p> <p>The Code of Conduct is intended to deter wrongdoing and to promote the following:</p> <ul style="list-style-type: none"><li>a) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;</li><li>b) full, fair, accurate, timely and understandable disclosure in reports and documents the Company files with, or submits to, Bursa Malaysia and the Securities Commission and in other communications made by the Company;</li><li>c) compliance with applicable governmental laws, rules and regulations;</li><li>d) the prompt internal reporting of violations of this Code to the appropriate person or persons identified in this Code;</li><li>e) accountability for adherence to the Code; and</li><li>f) adherence to a high standard of business ethics.</li></ul> <p>Appropriate persons have been designated to determine appropriate actions to be taken in the event of violations of the Code of Conduct. Any action taken shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Code of Conduct and to these additional procedures, and may include written notices to the individual involved that the Board has determined that there has been a violation, censure by the Board, demotion or re-assignment of the individual involved, suspension with or without pay or benefits (as determined by the Board), and termination of the individual's employment or position after taking into account all relevant information, including the nature and severity of the violation as well as the frequency of occurrence amongst other things.</p>

	The Code of Conduct is made available on the Company's website – <a href="http://www.reachenergy.com.my">www.reachenergy.com.my</a> .	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 3.2**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In order to encourage commitment to the detection and prevention of actual or suspected unethical, unlawful, illegal, wrongful or other improper conduct, the Company has adopted a Whistleblowing Policy which is made available on the Company website – <a href="http://www.reachenergy.com.my">www.reachenergy.com.my</a>.</p> <p>Under the Whistleblowing Policy, general information about whistleblowing and whistle-blower protection is provided as well as the procedures for raising a concern as well as the management of concern.</p> <p>The Whistleblowing Policy and its disclosure procedure are accessible to the public for reference on the Company’s website.</p> <p>The Board, together with Management, reviews the Whistleblowing Policy periodically or as and when the need arises to ensure it is kept contemporaneous.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board comprises nine (9) members, six (6) of which are Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Chairman and two (2) Executive Directors, which complies with the Main Market Listing Requirements.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	None of the Independent Directors has served more than a cumulative term of nine (9) years.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.3 – Step Up**

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board has developed a policy which limits the tenure of its Independent Directors to nine (9) years and embraces the practice for retaining an independent director beyond nine (9) years and shall provide justification for doing so and seek shareholders’ approval annually in that respect. If the Board continues to retain the Independent Directors after the twelfth (12th) year, in addition to providing justification as explained above, the Board will seek shareholders’ approval through a two-tier voting process, unless the said Independent Director wishes to be re-designated as non-independent non-executive Director which shall be decided by the Board.</p> <p>None of the Independent Directors has served more than a cumulative term of nine (9) years.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.4

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

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Board recognises the importance of diversity in designing its composition while taking into account the pertinent skills, knowledge and experience necessary to further enhance the composition of the Board. However, the consideration would be taken on the need to meet the regulatory requirement such as the Act and MMLR. The Board is of the view that diversity is considered from a number of aspects, including but not limited to gender, age, educational background, ethnicity, professional experience, skills and knowledge.</p> <p>The NRC is responsible to recommend an identified candidate to the Board if there is any vacancy arising from resignation, retirement or any other reasons or if there is a need to appoint additional director with the required skill or profession based on the recommendation from the Board in order to close the competency gap in the Board identified by the NRC. The potential candidate may be proposed by an existing director, senior management staff, shareholders or third party referrals and/or independent sources.</p> <p>Upon receipt of the proposal, the NRC is responsible to conduct an assessment and an evaluation on the proposed candidates based on skills, knowledge, character, integrity, expertise and experience, competency, commitment (including time commitment) and where appropriate, the independence of proposed candidates for the appointment of independent directors. The NRC may, at its discretion, conduct legal and other background searches on the proposed candidates as well as a formal or informal interview.</p> <p>Upon completion of the assessment and evaluation of the proposed candidates, the NRC would make its recommendation to the Board. Based on the recommendation of the NRC, the Board would evaluate and decide on the appointment of the proposed candidates.</p> <p>In this respect, the roles of the Nomination and Remuneration Committee are detailed in the Terms of Reference, which is accessible for reference on the Company's website – <a href="http://www.reachenergy.com.my">www.reachenergy.com.my</a>.</p>

	Appointments of key senior management are also based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board acknowledges the gender boardroom diversity as recommended under the Malaysian Code of Corporate Governance ("MCCG") and recognises the importance of encouraging and developing female talent at all levels. Currently, there is one (1) female director who was appointed on 3 September 2020.</p> <p>The Board will continue to search for more suitable female candidates to fill in the directorship positions. Nevertheless, it will take some time for the Nomination and Remuneration Committee to search and select a suitably qualified woman director to meet the 30% target.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.6**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NRC is responsible for identifying, screening and recommending suitable candidates for Directorships to the Board.</p> <p>In undertaking this responsibility, the Nomination and Remuneration Committee is allowed to engage executive search firms and other channels such as companies' contact in related industry or referrals from external sources such as industry and professional associations to assist in sourcing candidates with the relevant skills and background. In screening the candidates, the Nomination and Remuneration Committee will take into consideration criteria such as:</p> <ul style="list-style-type: none"> <li>a) Ethics</li> <li>b) Required mix of skills</li> <li>c) Meaningful experience and expertise in relevant endeavours i.e., business, corporate, accountancy, law, finance etc.</li> <li>d) Functional knowledge</li> <li>e) Integrity and professionalism</li> <li>f) Existing commitments</li> </ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.7

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Nomination and Remuneration Committee is chaired by the Senior Independent Non-Executive Director, Encik Izlan bin Izhab.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination and Remuneration Committee reviews the composition of the Board and the Board's Committees annually. During the year under review, the Board had conducted assessments on the performance of the Board as a whole and its Board Committees.</p> <p>The assessments were led and facilitated by the Chairman of the Nomination and Remuneration Committee and the areas covered amongst others, included the business strategy governance and implementation, improvement in ways the Board engages with Management on strategy, sufficient information availability on a timely basis, diversity and Board and Board Committees composition.</p> <p>Upon completion of the assessments, appropriate actions were recommended to the Board based on the results of the assessments. This is to enhance the Board's overall performance and identify opportunities for improvement.</p> <p>Based on the findings, the Board and Board Committees were satisfied that their existing composition provides an appropriate balance in terms of its current mix of skills, knowledge and experience and are able to discharge their duties and responsibilities effectively.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has in place a remuneration structure which is reviewed by benchmarking the Chairman's and the Directors' remuneration against peer companies, locally and regionally.</p> <p>The Group recognizes that in order to attract and retain Directors, it is important to have a fair and competitive remuneration package that commensurate with their experience, skills, responsibilities, performance, contribution as well as industry benchmark.</p> <p>The remuneration policy for Executive Directors is based on the achievements and contribution of each member measured against their respective Key Performance Indicators. The Board shall determine the remuneration of Executive Directors taking into consideration the recommendations of the Remuneration Committee.</p> <p>The Non-Executive Directors will receive a fixed base fee, not by a commission or on percentage of profits/turnover, as consideration for their Board duties. The aggregate amount of directors' fees to be paid to Non-Executive Directors is subject to the approval of the shareholders at a General Meeting. Remuneration for Non-Executive Directors is not linked to individual performance.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

## Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a Nomination and Remuneration Committee to implement its policies and procedures on remuneration of the Board and Senior Management.</p> <p>The Nomination and Remuneration Committee comprises:</p> <ul style="list-style-type: none"><li>a. Encik Izlan bin Izhab (Senior Independent Non-Executive Director and Chairman of the Remuneration Committee)</li><li>b. Encik Nik Din bin Nik Sulaiman (Independent Non-Executive Director)</li><li>c. Tan Sri Dr. Azmil Khalili Bin Dato' Khalid (Non-Independent Non-Executive Director)</li></ul> <p>The Nomination and Remuneration Committee is responsible for reviewing and recommending to the Board the remuneration framework for the Executive Directors. This includes making recommendations to the Board for all elements of remuneration, terms of employment, reward structures and fringe benefits for Executive Directors and senior management staff of the Company.</p> <p>The Nomination and Remuneration Committee is also responsible for reviewing the level of fees and benefits of the Non-Executive Directors and recommending it to the Board thereafter. The level of fees and benefits for Non-Executive Directors, including Non-Executive Chairman, should be determined by the Board as a whole and individuals concerned should abstain from discussion of their own remuneration.</p>

	The Terms of Reference of Nomination and Remuneration Committee is made available on the Company's website - <a href="http://www.reachenergy.com.my">www.reachenergy.com.my</a> .	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 7.1

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	Partial disclosure on named basis for the remuneration of individual Directors. Only breakdown of individual directors' fees, and other emoluments/allowances comprising meeting allowances are disclosed in the Annual Report 2020. The rest of the remuneration breakdown of individual directors includes salary and other emoluments are not disclosed in the Annual Report 2020 due to the sensitivity of the information and given the competitiveness in the market for talent in the oil and gas industry.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 7.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board does not include a detailed disclosure on named basis for the remuneration of the top five senior management's remuneration component.</p> <p>The Board is of the view that it would not be in the best interest of the Company to disclose such sensitive information given the competitiveness in the market for talent in the oil and gas industry.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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

### **Practice 7.3 – Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	
<b>Explanation for departure</b>	:	The Board does not include a detailed disclosure on named basis for the remuneration of the top five senior management's remuneration component.  The Board is of the view that it would not be in the best interest of the Company to disclose such sensitive information given the competitiveness in the market for talent in the oil and gas industry.

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Audit Committee and the Chairman of the Board are helmed by two distinct individuals.</p> <p>The Board’s Audit Committee is chaired by the Independent Non-Executive Director, Encik Nik Din bin Nik Sulaiman who is not the Chairman of the Board.</p> <p>The Terms of Reference for the Audit Committee is made available on the Company’s website – <a href="http://www.reachenergy.com.my">www.reachenergy.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.2

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

<b>Application</b>	:	Not Applicable
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	This is currently not applicable to the Company as none of the members of the Audit Committee are former key audit partners of external audit firm(s) servicing the Company.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee is responsible for reviewing, assessing and monitoring the performance, suitability and independence of the External Auditors in accordance with a framework/policy which was approved by the Board.</p> <p>The assessment was conducted annually to assess the performance of the External Auditors prior to making a recommendation to the shareholders for re-election.</p> <p>The Audit Committee has received an annual assurance of independence in accordance with External Auditor, PricewaterhouseCoopers PLT ("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 31 December 2020, PwC has re-affirmed their independence to act as the Company's external auditors as set out in the External Auditors' Report on pages xxx and xxx of the Annual Report 2020.</p> <p>The Terms of Reference of the Audit Committee is made available on the Company's website - <a href="http://www.reachenergy.com.my">www.reachenergy.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

There is an effective and independent Audit Committee.

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

### **Practice 8.4 – Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Applied
<b>Explanation on adoption of the practice</b>	:	At present the Audit Committee comprises the following: <ul style="list-style-type: none"><li>• The Chairman is an Independent Non-Executive Director;</li><li>• One (1) Member is a Senior Independent Non-Executive Director; and</li><li>• One (1) Member is an Independent Non-Executive Director.</li></ul>

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The members of the Audit Committee have a mix of suitably qualified and experienced professionals in relevant fields with the necessary skills to discharge its duties effectively.</p> <p>The members of the Audit Committee are financially literate and are able to understand and grasp complex issues brought to its attention including the financial reporting standards and processes. The Chairman of the Audit Committee is a member of MIA, a professional accountancy body. The qualification and experience of each member of the Audit Committee are disclosed in the Profile of Board of Directors section of the 2020 Annual Report of the Company.</p> <p>During the financial year, the members of the AC had attended various training programmes and seminars organised by relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations, risk management and business environment. Details of the trainings or seminars attended by the members of the Audit Committee during the financial year ended 31 December 2020 are set out in the Corporate Governance Overview Statement under "Directors' Training" in the 2020 Annual Report of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board maintains a sound risk management framework and system of internal control to identify, evaluate, monitor and manage risks that may impede the attainment of the Group's objectives. The Board is assisted by the Risk Management Committee to oversee all matters with regards to risks, control and governance.</p> <p>In addition, the Company also has in place an internal control system. The internal control system is structured in such a manner that it provides reasonable assurance that the likelihood of an event with significant adverse impact in business objectives is managed at an acceptable level. The key components are as set out in the Statement on Risk Management and Internal Control in the Company's 2020 Annual Report.</p> <p>The Board reviews the effectiveness, adequacy and integrity of the risk management framework and internal control system of the Group to ensure that significant risks faced by the Group are being managed appropriately to respond to changes in the business environment.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

## Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The features of the Company's risk management and internal control framework is as set out in the Statement on Risk Management and Internal Control of the Company's 2020 Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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

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

### **Practice 9.3 – Step Up**

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

<b>Application</b>	:	Applied
<b>Explanation on adoption of the practice</b>	:	At present the Risk Management Committee comprises the following: <ul style="list-style-type: none"><li>• The Chairman is an Independent Non-Executive Director;</li><li>• One (1) Member is an Independent Non-Executive Director; and</li><li>• One (1) Member is an Executive Director.</li></ul>

## Intended Outcome

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

### Practice 10.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit function of the Company is independent from its operations. The Company has outsourced its Internal Audit Function to an independent professional firm, Tricor Axcelasia Sdn. Bhd. (F.K.A Axcelasia Columbus Sdn. Bhd.) which reports directly to the AC.</p> <p>The AC is to review and monitor on behalf of the Board, the adequacy and integrity of the Company's internal control.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 10.2**

The board should disclose:-

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company’s Internal Auditors provides annual declaration of their independence and freedom from any conflict of interest which could impair their objectivity and independence.</p> <p>For the year under review, the outsourced internal auditor used international practices framework or a risk-based approach in preparing their internal reviews. The results of the audits provided in the Internal Audit Reports together with the findings and recommendation for improvements were presented to the AC for deliberations. The resulting reports from the audits were also forwarded to the Management for attention and necessary corrective actions.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

## Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As part of the Company's efforts in strengthening its relationship with the shareholders, the Company is committed to continuously disclose and disseminate comprehensive and timely information to its shareholders as well as to the general investing public.</p> <p>To this end, several communication channels have been put in place to disseminate information to shareholders and investors on the performance of the Company. These include the Annual Report, quarterly results and general announcements and released through Bursa Malaysia and Annual General Meetings. The Company had also established an "Investor Relations" section on its website at <a href="http://www.reachenergy.com.my">www.reachenergy.com.my</a>.</p> <p>On top of this, the Senior Management is also supported by the Investor Relations team who actively participate in investor relations activities such as investor briefings and meetings with local and global financial analysts, institutional investors and fund managers.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 11.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Company does not fall within the definition of Large Companies.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The date of Notice of the Company's Seventh Annual General Meeting ("7<sup>th</sup> AGM") is 30 June 2020 and the 7<sup>th</sup> AGM is scheduled was held on 5 August 2020, which is more than 28 days' advance notice.</p> <p>This allows shareholders to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys. It also enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.</p> <p>The Company distributed the administrative details together with the Notice of 7<sup>th</sup> AGM to furnish the shareholders with the details of the AGM, the eligibility of the shareholders, their rights to appoint proxies and other related information pertaining to the 7<sup>th</sup> AGM. The explanatory notes to the Notice of the 7<sup>th</sup> AGM dated 30 June 2020 contained details of each resolution to be tabled to enable the shareholders to make informed decisions.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 12.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company's 7<sup>th</sup> AGM which was held on 5 August 2020 was live streamed with remote participation by shareholders. Having said that, there were six (6) directors present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.</p> <p>The proceedings of the 7<sup>th</sup> AGM included a PowerPoint presentation on the Company's performance for 2019 and its strategies for 2020 by the CEO, the presentation of the Audited Financial Statements together with the Reports of the Directors and Auditors as well as a Questions and Answers session during which the Chairman of the Board invited shareholders to pose questions pertaining to the Company's financial statements and other items for adoption at the 7<sup>th</sup> AGM, before putting the resolutions to vote.</p> <p>The extract of proceedings of the 7<sup>th</sup> AGM together with the Questions &amp; Answers session were also summarised as "Summary of Key Matters Discussed" and uploaded to the Company's website at <a href="http://www.reachenergy.com.my">www.reachenergy.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The 7<sup>th</sup> AGM was the Company' first fully virtual general meeting. Shareholders were able to participate remotely via live streaming webcast and vote in absentia using Remote Participation and Voting facilities ("PPV") provided by Boardroom Share Registrars Sdn. Bhd. via its Register Online with Boardroom Smart Investor Portal at <a href="https://boardroomlimited.my">https://boardroomlimited.my</a>.</p> <p>A step-by-step administrative guide was issued to assist shareholders on the registration, participation and voting using the RPV. The administrative guide was also public in the Company's website to encourage shareholders' participation.</p> <p>Keeping in line with the advent of technology, electronic poll voting system was put in place during the 7<sup>th</sup> AGM held on 5 August 2020 to facilitate conduct of the meeting. Voting results of the 7<sup>th</sup> AGM were verified by the Independent Scrutineers, upon which the Chairman of the Meeting declared whether the resolutions were carried.</p> <p>The poll results were also announced by the Company via Bursa Link on the same day. Minutes of the 7<sup>th</sup> AGM were also made available on the Company's website at <a href="http://www.reachenergy.com.my">www.reachenergy.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.*