

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5681
COMPANY NAME : PETRONAS DAGANGAN 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 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 PETRONAS Dagangan Berhad (PDB or the Company) is committed to high standards of corporate governance and strives to ensure that it is practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and raise the performance of the Group.</p> <p>The duties, powers and functions of the Board are governed by the Constitution of the Company, the Companies Act 2016, Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) and other regulatory guidelines and requirements that are in force.</p> <p>In discharging its duties and roles effectively, the Board is also guided by the Board Charter, which sets out the principles and guidelines that are to be applied by the Board, whilst the Board committees are guided by its respective Terms of Reference (TOR). The Board Charter and the TOR for each Board Committee can be found at www.mymesra.com.my.</p> <p>The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group's affairs. To discharge the Board's stewardship responsibilities, the Board has assumed the following principal roles and responsibilities: -</p> <ul style="list-style-type: none">• To review, approve and monitor the strategic business plans, goals and key policies proposed by the Management to ensure sustainability and optimisation of long-term returns;

	<ul style="list-style-type: none">• To ensure that appropriate policies are in place, adopted effectively and are regularly reviewed;• To review and approve financial statements;• To review and manage principal risks and adequacy of the Company's internal control systems including systems for compliance with applicable laws, regulations, rules and guidelines;• To ensure that there is an appropriate succession plan for members of the Board and the Leadership Team; and• To be accountable to its shareholders and stakeholders whom may be affected by the Company's decision such as employees, suppliers, customers, the local community and the state/country where the Company is operating. <p>The Board is collectively responsible in promoting the success of the Group in building an enduring and profitable business admired by customers and stakeholders whilst achieving strong returns for the valuable shareholders.</p> <p>The Company has adopted the PETRONAS Code of Conduct and Business Ethics (PETRONAS CoBE) that seeks to ensure that the Company's/or Group's Directors, employees and third parties which perform works or services for the Company and/or Group will act ethically and remain above board at all times, and that their individual behaviour is in line with PETRONAS' Shared Values i.e. Loyalty, Professionalism, Integrity and Cohesiveness. PETRONAS CoBE also includes appropriate communication and feedback channels which facilitate whistleblowing.</p> <p>The Board acknowledges the importance of the following: -</p> <ul style="list-style-type: none">• maintaining a sound system of internal control and a robust risk management practice for good corporate governance with the objective of safeguarding the shareholder's investment and the Group's assets. For this purpose, the Board has adopted a Risk Governance Framework and Risk Management Policy;• the need to safeguard and minimise the impact to the environment in the course of achieving the Company's objectives. The Board's agenda reflects the commitment to economic support for longer term sustainability with a focus on the positive impact on the environment, community and society; and
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	<ul style="list-style-type: none"> the need for effective Investor Relations and Communications with shareholders and to provide them with all relevant information affecting the Company, which can be accessed at the Company's official website at www.mymesra.com.my. 	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The roles and responsibilities of the Chairman of the Board have been clearly specified in the Company's Board Charter, which is also available on the Company's corporate website at www.mymesra.com.my</p> <p>The Chairman of the Board is a Non-Independent Non-Executive Director who is primarily responsible for the orderly conduct and function of the Board and ensures its effectiveness on all aspects of its roles.</p> <p>The Chairman of the Board shall also act as Chairman at general meetings.</p> <p>The role of the Chairman is summarised as follows:</p> <ul style="list-style-type: none">• Leading the Board in setting the values and ethical standards of PDB.• Chairing the Board meetings and stimulating debates on issues and encouraging positive contributions from each Board member.• Consulting with the Company Secretary in setting the agenda for Board meetings and ensuring that all relevant issues are on the agenda.• Maintaining a relationship of trust with and between the Managing Director/Chief Executive Officer (MD/CEO) and Non-Executive Directors.• Ensuring the provision of accurate, timely and clear information to Directors.• Ensuring effective communication with shareholders and relevant stakeholders.• Arranging evaluation of performance of Board Members, its Committees and individual Directors, including assessment of the independence of Independent Directors.• Ensuring that all Directors are properly briefed on issues arising at Board meetings and there is sufficient time allowed for discussion on complex or contentious issues and where

	<p>appropriate, arranging for informal meetings beforehand to enable thorough preparations.</p> <ul style="list-style-type: none"> • Allowing every Board resolution to be voted on and ensuring the will of the majority prevails. • Casting his votes in accordance with the prescribed PDB's Constitution. • Ensuring that all Board members, upon taking up their office, are fully briefed on the terms of their appointment, time commitment, duties and responsibilities, and the business of PDB. • Acting as liaison between the Board and Management, and between the Board and the MD/CEO.
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

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 distinct and separate roles and responsibilities of the Chairman and the MD/CEO are provided in the Board Charter, which is available on the Company's corporate website at www.mymesra.com.my.</p> <p>The Board practices a clear demarcation of duties and responsibilities between the Chairman and MD/CEO to ensure a balance of power and authority in the Board. The positions of Chairman and MD/CEO are held by two different individuals. The Chairman of the Company is Datuk Md Arif bin Mahmood is a Non-Independent Non-Executive Director (NINED) whilst the CEO of the Company who is also the Managing Director is Azrul Osman bin Rani, who was appointed as the MD/CEO on 1 January 2020.</p> <p>This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the MD/CEO's responsibility to manage the Company's business. Separation in the role of the Chairman and the MD/CEO is imperative as both roles have different expectations and serve distinct primary audiences.</p> <p>The Chairman is primarily responsible for the stewardship and smooth functioning of the Board, whilst the MD/CEO is responsible for the overall operations of the business, organisational effectiveness and the implementation of the Group's strategies and policies. Given the Company's synergetic business operational integration with Petroliam Nasional Berhad (PETRONAS), it is in the best interest of the Company that the Chairman is a NINED.</p> <p>The MD/CEO also manages the respective responsibilities of the divisions and departments in the Company and he is assisted in the management of the business by the Leadership Team (LT). The LT ensures that effective systems, controls and resources are in place to execute business strategies and decisions taken by the MD/CEO and/or the 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

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>During the year under review, Nur Nadia Mohd Nordin vacated her position as Company Secretary effective 19 May 2020 and was replaced by Suria Kamarul Baharin on the same date.</p> <p>The Company Secretaries of the Company, Suria Kamarul Baharin and Yeap Kok Leong are qualified and competent to act as company secretaries under Section 235 of the Companies Act 2016. One of them has a legal qualification and the other is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators. Both act as an advisor to the Board, particularly with regard to PDB's Constitution and its compliance with regulatory requirements, codes, guidelines and legislations. All Directors have unrestricted access to the advice and services of the Company Secretaries to facilitate discharge of their duties.</p> <p>The Company Secretaries ensure that the discussions and deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the Management for appropriate actions. The Company Secretaries update the Board on the follow-up of its decisions and recommendations. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging their functions in the year under review</p> <p>The Company Secretaries constantly keep themselves abreast of the evolving regulatory changes and developments in corporate governance through continuous training.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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 Board meets at least quarterly with additional meetings convened as and when necessary. The Board, Board Committees, Board Strategy Away Day and Annual General Meeting (AGM) during the year under review were pre-scheduled in November 2019 to facilitate the Directors in planning ahead and incorporating the said meetings into their respective schedules. It also served to provide the Board with ample notice of the meetings.</p> <p>Prior to each Board and Board Committee's meeting, the agenda and Board papers encompassing comprehensive qualitative and quantitative information which include objectives, background, critical issues, implications, risks, strategic fit, recommendations and other pertinent information are circulated to the Directors to enable an informed decision making by the Board. The quality of information given to the Board is important as it leads to good decision-making. Presentations and briefings by the Management and relevant external consultants, where applicable, are also held at Board meetings to advise the Board. In this regard, relevant information is furnished and clarifications are given to assist the Board in making a decision.</p> <p>Prior to a meeting of the Board and Board Committee, a syndication session, if required, will be organised for papers that require Board's insight especially on critical Board papers.</p> <p>The Board papers were circulated to all Directors at least five business days prior to each Board meeting. This enables the Directors to have sufficient time to peruse the Board papers and seek clarifications or further details from the Management or the Company Secretary before each meeting. Any Director may request matters to be included in the agenda. Urgent papers may be presented and tabled at meetings under the item "Any Other Business", subject to the approval of both the Chairman and MD/CEO.</p>

	<p>Access to Board papers were carried out online through a collaborative software which allows the Directors to securely access, to read and review Board documents and collaborate with other Directors and the Company Secretary electronically. This software eases the process of distribution of Board papers and minimises leakage of sensitive information.</p> <p>The Directors have direct access to the Management and have unrestricted access to any information relating to the Group to enable them to discharge their duties. The Directors also have direct access to the advice and services of the Company Secretary and are regularly updated on the new statutory and regulatory requirements relating to the duties and responsibilities of the Directors. The Directors, whether collectively as a Board or in their individual capacity, may seek independent professional advice at PDB's expense in furtherance of their duties.</p> <p>All proceedings of Board and Board Committee's meetings and deliberations including comments made by the Directors are duly minuted and signed. Minutes of each Board and Board Committee's meeting are properly kept by the Company Secretary. The minutes of each Board and Board Committee's meetings were circulated in a timely manner to all Directors for their perusal prior to the minutes being tabled for confirmation at the next Board and Board Committee's meeting. The Directors may request for clarification or raise comments on the minutes prior to their confirmation.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

There is 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>The Board has a Board Charter and TOR of its Board Committees, which are reviewed and updated from time to time to reflect relevant changes to the policies, procedures and processes as well as amendments to rules and regulations to ensure the documents remain relevant and consistent with the applicable rules and regulations and recommended best practice. The Board Charter and the Committees' TOR clearly identify –</p> <ul style="list-style-type: none"> • the respective roles and responsibilities of the board, board committees, individual directors and management; and • issues and decisions reserved for the Board. <p>The Board Charter and the Board Committees' TOR are accessible from the Company's corporate website at www.mymesra.com.my.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The PDB Group adopts and practices Petroliam Nasional Berhad (PETRONAS) Code of Conduct and Business Ethics (CoBE). The CoBE, which is accessible to the public for reference on the Company's corporate website at www.mymesra.com.my, places significant importance in upholding the principle of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and wellbeing of the Group. The CoBE sets forth the standards of behaviour and ethical conduct expected of each individual to whom the CoBE applies. The Group also expects that contractors, sub-contractors, consultants, agents and representatives and others performing work or services for or on behalf of the Group to comply with the relevant parts of the CoBE when performing such work or services. The CoBE expressly prohibits improper solicitation, bribery, insider trading, money laundering and other corrupt activities not only by employees and directors but also by third parties performing work or services for or on behalf of companies in the PETRONAS Group.</p> <p>In compliance with the CoBE, the Company adopts the PETRONAS Anti-Bribery and Corruption (ABC) Manual which governs the prevention of corruption and unethical practices within the Group. The ABC Manual sets forth the policy statement and guidelines on how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.</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 board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The PDB Group has adopted PETRONAS Whistleblowing Policy (WBP) which provides an avenue for employees and members of the public to disclose any improper conduct committed or about to be committed in accordance with the procedures as provided under the policy. The WBP is accessible to the public for reference on the Company’s corporate website at www.mymesra.com.my</p> <p>Under the WBP, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. An employee who whistle blows internally will also be protected against any adverse and detrimental action for disclosing any improper conduct committed or about to be committed within the Group, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistle blower is mistaken as to the facts and the rules and procedures involved.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board currently has 6 Independent Non-Executive Directors (INEDs) as per below, which is equivalent to 60% of the composition of the Board namely:</p> <ul style="list-style-type: none">i. Lim Beng Choon;ii. Datuk Anuar Ahmad;iii. Shafie Shamsuddin;iv. Alvin Michael Hew Thai Kheam;v. Nirmala Doraisamy; andvi. Tang Saw Hua. <p>During the year under review, PDB Board comprises of 10 Directors, whereby six (6) are INEDs, three (3) are NINEDs, including the Chairman of the Board and one (1) Executive Director. This is also in compliance with the requirements of Paragraph 15.02 of the Main Market Listing Requirements of at least 2 directors or 1/3 of the Board are independent Directors.</p> <p>The Board recognises the important contribution that INEDs make to good corporate governance. All Directors, regardless of their independent status, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.</p> <p>All INEDs have declared their “independence status” to the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application :	Not applicable - Step Up 4.3 adopted	
Explanation on application of the practice :		
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	In line with the exemplary practice as recommended by the Malaysian Code on Corporate Governance 2017 (MCCG 2017), the Company has adopted a tenure policy whereby an INED's total tenure on the Board is capped at nine years. None of the INEDs have served the Board for more than nine years.

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company practices a formal and transparent process on the appointment of new directors. The nomination of NINEDs to the Board is made by PETRONAS being the majority shareholder of the Company. The nomination of INEDs to the Board is made through the engagement of a professional recruiting firm to find most suitable candidates to fill the vacant positions or via recommendations by the Board members.</p> <p>In its selection of suitable candidates, the Nomination and Remuneration Committee's (NRC) is delegated in developing and deliberating selection criteria based on competencies and attributes required. The NRC will also screen, conduct initial selection, consider and present their findings on the nominee prior to making recommendation to the Board.</p> <p>All nominees to the Board are first considered by the NRC, taking into consideration the mix of skills, competencies, experience, integrity, personal attributes and time commitment required to effectively fulfil his or her role as a director. Diversity in terms of age and gender is also considered during the selection process.</p> <p>The Senior Management of the Company are employees of PETRONAS who are seconded to the Company, based on their relevant skills and experiences.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	During the year under review, there are three women (30%) serving as directors on the Board of PDB namely Nuraini Ismail, Nirmala Doraisamy and Tang Saw Hua. The Board recognises that diversity is a key driver to enhance its effectiveness by allowing for a broader scope for debate within itself. Diversity Policy is formulated objectively to ensure a mix of member profiles in terms of age, nationality and gender. A diverse Board is necessary to provide unique perspective, experience and expertise required to achieve effective stewardship whereby creating value. Diversity is also important to ensure the Company remains relevant and sustainable in the rapidly transforming and evolving business environment. The Board also supports the country's aspirational target of 30% representation of women directors. Several suitable and qualified independent directors have also been identified and included in the directors' pool for possible nomination as part of the succession plan for PDB directors. In tandem with the emphasis on gender diversity, the Board is committed in developing a corporate culture that also embraces the aspect of gender diversity.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	Pursuant to the NRC's TOR, NRC has the authority to obtain the services of professional recruitment firms to source for candidates for directorship or seek independent advice whenever necessary.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The NRC of the Company is chaired by Lim Beng Choon, a Senior Independent Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company conducts its Board Effectiveness Evaluation (BEE) exercise on an annual basis. BEE comprises a Board Evaluation, a Board Committee Evaluation and Directors' Self and Peer Assessment. The BEE allows the Directors to focus on assessing the effectiveness and performance of the Board and its Committees in the best interests of the Company. The assessment methodology and its outcome were also reported in the Integrated Report.</p> <p>For BEE 2020, the Board, through the NRC reviewed the outcome of BEE 2020 and noted the findings and areas that require further improvements. The BEE 2020 also revealed that PDB continued to be led by an effective, committed and talented Board, helmed by a progressive Chairman.</p> <p>The Board will be engaging the services of an independent consultant to facilitate the BEE exercise for every five years with the next external evaluation scheduled for 2022.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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>Directors' Remuneration Framework</u></p> <p>The Director's Remuneration Framework is accessible on the Company's corporate website at www.mymesra.com.my.</p> <p><u>Senior Management Remuneration Framework</u></p> <p>Employees of the Company are seconded from PETRONAS. Their remuneration has been benchmarked against the industry and is aligned with the market. In addition, their training, succession planning and performance appraisals are aligned to the PETRONAS' Human Resources Policies and Strategies. The Board ensures that only suitable personnel with the relevant skills and experiences are appointed to management positions of PDB.</p> <p>Their remuneration is based on the prevailing PETRONAS' Remuneration Philosophy and Guiding Principles, which can be found on the Company's corporate website at www.mymesra.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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	:	The Company has a combined NRC. Their authority and duties as well as functions are clearly defined in the TOR which is accessible on the Company's corporate website at www.mymesra.com.my .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to 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 Board has established a formal and transparent Directors' Remuneration Framework which comprises retainer fees, special fees, meeting allowances and benefits in-kind. The remuneration breakdown of individual directors which includes the fees, salary, bonus, benefits in-kind and other emoluments is enumerated in Table 1 attached hereto.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Table 1:

Pursuant to Article 102 (1) of the Constitution of the Company, PDB also reimburses reasonable expenses incurred by Directors, where relevant, in the course of carrying out their duties as Directors.

For the financial year under review, the breakdown of the Directors' remuneration is as follows:

Name of Directors	Directors Fees (RM)	Board Meeting/ Board Strategy Attendance Fees^ (RM)	Board Audit Committee Meeting Attendance Fees^ (RM)	Board Risk Committee Meeting Attendance Fees^ (RM)	Nomination and Remuneration Committee Meeting Attendance Fees^ (RM)	AGM (RM)	Others ** (RM)	Total (RM)
Datuk Md Arif bin Mahmood	288,000.00	31,500	Nil	Nil	Nil	3,500	Nil	323,000.00
Azrul Osman Rani	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Lim Beng Choon	144,000.00	31,500	14,000	Nil	10,500	3,500	6000.00	209,500.00
Datuk Anuar bin Ahmad	144,000.00	31,500	14,000	14,000	2,000	3,500	6000.00	215,000.00
Nuraini binti Ismail	144,000.00	31,500	14,000	Nil	2,000	3,500	Nil	195,000.00
Ahmad Adly Alias (Appointed on 25 August 2020)	50,709.70	17,500	Nil	Nil	Nil	Nil	Nil	68,209.70
Shafie bin Shamsuddin	144,000.00	31,500	Nil	14,000	10,500	3,500	6000.00	209,500.00
Alvin Michael Hew Thai Kheam	144,000.00	31,500	Nil	17,500	2,000	3,500	Nil	198,500.00
Nirmala A/P Doraisamy	144,000.00	31,500	Nil	17,500	2,000	3,500	6000.00	204,500.00
Tang Saw Hua (Appointed on 1 July 2020)	72,000.00	21,000	7,000	Nil	Nil	Nil	3000.00	103,000.00
Vimala A/P V.R. Menon (Retired on 17 November 2020)	126,800.00	28,000	14,000	17,500	10,500	3,500	5283.33	205,583.33

Dato' Sri Syed Zainal Abidin bin Syed Mohamed Tahir (Retired on 10 June 2020)	64,000.00	3,500	Nil	Nil	2000	3,500	Nil	73,000.00
Total	1,465,509.70	290,500.00	63,000.00	80,500.00	41,500.00	31,500.00	32283.33	2,004,793.03

* Fees paid to PETRONAS

** Others includes petrol/fleet card.

^ Meeting attendance fees are based on the number of meetings attended by the Directors.

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The components of the remuneration of Senior Management, which include their salary, bonus, benefits in-kind and other emoluments are subject to the Personal Data Protection Act 2010 and PETRONAS Group including its listed companies opt not to disclose the personal data of their Senior Management personnel to the public at large.</p> <p>Alternative Practice:</p> <p>The Company has identified its Top 5 Senior Management as follows, however, their remuneration will not be disclosed:</p> <ul style="list-style-type: none"> i. Azrul bin Osman Rani <ul style="list-style-type: none"> - MD/CEO ii. Farzlina binti Ahmad Murad <ul style="list-style-type: none"> - Chief Financial Officer iii. Khalil Jaffri Muhammad Muri <ul style="list-style-type: none"> - Head, Retail Business Division iv. Ramzulahakim Ramli <ul style="list-style-type: none"> - Head, Commercial and Business Division v. Mazlin Erawati Ab Manan <ul style="list-style-type: none"> - Head, Venture Builder <p>The Senior Management of the Company are seconded from PETRONAS. Their remuneration has been benchmarked against the industry and is aligned with the market.</p> <p>Azrul Osman Rani, the MD/CEO and an Executive Director of PDB, is an employee of PETRONAS and is seconded to PDB. During the year, he was remunerated an amount of RM1,344,225.58 as MD/CEO of PDB.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:	The Company does not have an alternative plan to meet the intended outcome.	
Timeframe	:	Others	Not available

Intended Outcome

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

Practice 7.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee is Tang Saw Hua, INED and is not the Chairman of the Board. This ensures that the Board is able to objectively review the audit findings and recommendations.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	The BAC has a policy in place that requires for a former key audit partner to observe a cooling-off period of three-year before being appointed as a member of BAC.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>Under its TOR, the BAC is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditor.</p> <p>During the year under review, the BAC has adopted PETRONAS Framework on External Auditors, which has provided a more structured annual assessment on the performance, sustainability and independence of the external auditors. In addition, the BAC also met with the external auditors once, in the absence of the Management team. The External Auditors have also confirmed to the Board on their independence in writing by providing both audit and non-audit services up to the date of this report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application :	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>Audit Committee members possess a wide range of necessary skill as recommended by MCCG 2017. The BAC Members' Profiles are disclosed in the Integrated Report 2020 on pages 115 to 118 for further information.</p> <p>Audit Committee members acknowledged the need for continuous education trainings. During the year under review, all BAC members attended training on the developments in accounting and auditing standards, practices and rules.</p> <p>The list of training attended by the Directors of the Company is set out in the Integrated Report 2020 on pages 153 to 157.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has a risk management framework and internal control systems in place to ensure the smooth running of the business with the aim to manage the risks and control of the Company's business and financial affairs economically, efficiently and effectively to be able to seize profitable business opportunities in a disciplined way while avoiding or mitigating risks that could cause loss, reputational damage or business failure.</p> <p>Further information on risk management framework and internal controls are disclosed in the Statement on Risk Management and Internal Control of Integrated Report 2020 on pages 182 to 193.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	The key features of the Company's risk management and internal control framework, which cover their adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control in the Integrated Report 2020 on pages 182 to 193. In essence, PDB's Risk Management Framework adheres to the PETRONAS Resiliency Model, which focuses on the three areas namely Enterprise Risk Management , Crisis Management and Business Continuity Management in strengthening the current practices and placing greater emphasis on risk management implementation and business continuity practices.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board Risk Committee (BRC) was established on 26 February 2019 and comprises 5 INEDs to oversee the Company's risk management framework and policies. The members of the BRC are as follows:</p> <ol style="list-style-type: none">1) Alvin Michael Hew Thai Kheam (Chairman)2) Datuk Anuar Ahmad3) Shafie Shamsuddin4) Nirmala Doraisamy5) Tang Saw Hua

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has an in-house Internal Audit Department (IAD). IAD's key functions are to assist the Group in accomplishing its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Group. The Head, IAD reports directly to BAC.</p> <p>IAD maintains its impartiality, proficiency and due professional care, as outlined in its Audit Charter, by having its plans and reports directly under the purview of the BAC. The BAC has full access to internal auditors and receives reports on all audits performed.</p> <p>The internal audit function of the Company is premised on the requirements of an 'independent and objective function'. The mission of PDB IAD is to enhance and protect the organisation's value by providing risk-based and objective assurance, advice and insights.</p> <p>IAD performs independent audits in diverse areas within the PDB including overall governance and control, operations, projects, accounting and financial activities, in accordance with the risk-based annual audit plan presented to the BAC for approval.</p> <p>Internal audit functions and its effectiveness are disclosed in the Integrated Report 2020 on pages 176 to 177.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies 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 Head of Internal Audit reports directly to the BAC and administratively to the MD/CEO to ensure impartiality and independence in executing its role. It is currently headed by Baba-A Rahman Tiriman who holds a Bachelor Degree in Business Administration (1st Class Hons) from International Islamic University, Malaysia. He helmed the position since April 2018 and prior to that he has spent more than four years in Internal Audit function at PETRONAS Group specifically overseeing the downstream business. He had nine years' experience specialising in retail and commercial businesses within the PDB Group. The BAC reviews the IAD performance annually and responsible on the appointment and removal of Head of IAD.</p> <p>All internal audit activities for the financial year under review were performed in house by fourteen (14) internal auditors from diverse backgrounds and disciplines such as accounting, finance, business management, marketing, engineering, energy management, commerce and information technology. IAD undertakes to ensure that the staff are competent and adequately equipped in carrying out their duties and responsibilities by having structured development programmes and providing sufficient and relevant trainings.</p> <p>IAD adopts the five components set in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) inclusive Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities. COSO is an internationally recognised organisation providing guidance on internal controls, enterprise risk management and governance. In addition, IAD's functions are guided by Internal Audit Manual as well the International Professional Practices Framework (IPPF).</p>

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

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of effective dialogue with shareholders and investors. The Company believes that communication with the shareholders is a two-way process. The Company takes into consideration views and feedback it receives from all the stakeholders. In the past year, the MD/CEO, Chief Financial Officer and other members of Senior Management together with the Company's Investor Relations Unit had conducted regular dialogues with both its local and foreign shareholders and analysts. This resulted in better understanding of the Group's financial performance and operations.</p> <p>In addition, the Company actively updates its corporate website www.mymesra.com.my with the latest information on the corporate and business aspects of the Group. Press releases, announcements to Bursa Malaysia, analyst briefings and quarterly results of the Group are also made available on the website and this serves to promote accessibility of information to the Company's shareholders and all stakeholders.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Company has adopted full integrated reporting for its Integrated Report 2020 based on a globally recognised framework.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Notice and agenda of the Fully Virtual 38 th AGM together with Forms of Proxy are dispatched to shareholders at least 28 days before the AGM, which gives shareholders sufficient time to prepare themselves to attend, participate, speak (in the form of real time submission of typed texts) and vote remotely (collectively, “participate”) at the AGM using Remote Participation and Voting (RPV) the AGM or to appoint proxies to participate on their behalf. For the past five years, 28 days’ notice were issued to shareholders.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	All the Company's Directors attended the AGM of the Company. The Chair of the Board also shared with the shareholders the Company's response to the questions submitted in advance by the Minority Shareholders Watch Group. Whilst the MD/CEO provided the shareholders with a presentation on the Group's financial performance and operations. The Chairmen of the BAC, NRC and BRC respond to any queries and clarifications addressed to them (if any).
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>At its 38th AGM held on 10 June 2020, the Company, had leveraged on technology to hold its AGM virtually in its entirety via RPV facilities. This RPV facilities were provided by Tricor Investor & Issuing House Services Sdn. Bhd. (Tricor), who was appointed as the Company's Poll Administrator, via its TIH Online website at https://tiah.online. The AGM was conducted in line with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Section 327 of the Companies Act 2016 and Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020, including any amendment that have been made from time to time. The Company had also appointed Boardroom Corporate Services Sdn Bhd as Independent Scrutineer to verify the poll results at the Company's 38th AGM.</p> <p>The virtual AGM was streamed on Tricor's website for shareholders to attend, participate, speak (in the form of real time submission of typed texts) and vote (collectively, "participate") remotely at the 38th AGM. Detailed procedures were provided to the shareholders in the Administrative Details of the AGM sent through email and by ordinary post; and the same were also published in the Company's website. A total number of 259 shareholders and proxies logged in through the RPV, which represented a total of 268,004,904 shareholdings.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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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