



CORPORATE GOVERNANCE



This Statement on Corporate Governance is made in compliance with Chapter 15, Part E, Paragraph 15.25 of the Main Market Listing Requirements (MMLR) and the Malaysian Code on Corporate Governance 2012 (the Code), which sets out the principles and best practices on structures and processes that companies may use in their operations towards achieving the optimal governance framework.

The Board of Directors of Bintulu Port Holdings Berhad (the Board) is committed to applying and upholding high standards of corporate governance to safeguard and promote the interests of the shareholders. The Board is also dedicated to enhance the long term value of the Company and its controlled entities (referred to collectively as the Group).

In this annual Statement on Corporate Governance the Board is pleased to share on the manner of corporate governance in the Group for the financial year ended 31 December 2015 where the principles and the best practices of the Code, in all material aspects, have been complied with.



STATEMENT ON CORPORATE GOVERNANCE

(Pursuant to Chapter 15, Part E, Para 15.25 of the Main Market Listing Requirements)



**PRINCIPLE 1:****ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT****The Board Charter**

The objective of this Board Charter (the Charter) is to ensure that all Board members are aware of their duties and responsibilities as regards the various legislations and regulations affecting their conduct and also the principles and practices of good Corporate Governance in all their dealings in respect and on behalf of the Group.

The Charter clearly spells out the segregation of functions and authority between the Board and Management. This ensures that no one individual or group can dominate the decision-making process. The Board recognises the importance of the Charter as a single source of reference as recommended by the MCCG 2012.

Key matters reserved for the Board include the approval of strategic plans; annual operating and capital budgets; and quarterly as well as annual financial statements. The Board monitors the financial and operating performance and endorse the quarterly / annual results for announcement.

The Charter will be reviewed and updated periodically in accordance with the needs of the Company and in compliance to new regulations. Softcopy of the Charter is available on the Group's website at <http://www.bintuluport.com.my>.

Principal Responsibilities of the Board

The Board recognises the key role it plays in charting the strategic direction of the Group and in fulfilling its fiduciary duties. In the pursuit of the Group's objectives, the Board assume the following responsibilities:

- Establishing and reviewing the goals, the strategic plan and direction towards promoting the Company's sustainability;
- Overseeing and evaluating the conduct of the Company's businesses;
- Identifying principal risks and ensure that the risks are effectively managed;
- Establishing a succession plan to ensure orderly succession of Senior Management of the Group. The Board is responsible for the appointment of the Chief Executive Officer (CEO), setting and reviewing the CEO's employment contract as well as evaluating the Key Performance Indicators (KPI) of the CEO;
- Developing and implementing investor relations programmes and shareholders communication policy; and
- Reviewing the adequacy of the internal control policy and ensuring that the Company has appropriate risk management framework, internal control systems and regulatory compliance policies.

In line with the Malaysian Code on Corporate Governance, the Board had established the Audit Committee and the Nomination and Remuneration Committee. In addition, the Board had also established the Finance and Investment Committee. These Committees deliberate specific matters within their respective Terms of Reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision-making, however, lies with the Board.

Detailed reports on Board Committees are set out on pages 80 to 83 of this Annual Report.

Code of Ethics for Directors

The Board strictly adheres to the Company Directors' Code of Ethics, established by the Companies Commission of Malaysia and other Codes of Corporate Governance to engender good corporate behaviour. The Code of Ethics for the Directors governs the standards of ethics and good conduct including principles relating to the Directors' duties, Directors' relationship with stakeholders, employees welfare and commitment to the Group's Corporate Social Responsibilities (CSR).

The Board practises fair, professional and sound judgement prior to making or approving any proposed resolution in order to avoid disarray and deviation of power.

Whistleblowing Policy

The Group had established the Whistleblowing Policy in September 2014. The policy provides the avenue for parties to disclose any information on improper conducts or potential corporate fraud or breach of ethics involving any employees or Directors of the Group without fear of reprisal or retribution as they are protected under the Whistleblower Protection Act 2010.

The objectives of the Policy among others are:

- to develop a culture of openness, accountability and integrity as well as to maintain high ethical standards of the Group; and
- to enable the Board and Management to be informed at early stage by stakeholders of any misconduct in the Company.

Under this Policy the whistle-blower should ensure that the information disclosed is not frivolous and vexatious to enable investigation to be carried out in accordance with the principle of natural justice. Any whistle-blower having information of improper conduct in the Company may report it to the Head of Group Internal Audit through prescribed channels made available to them. The whistle-blower is entitled to be notified within sixty days on the outcome of the investigation.

Customer Charter

Guided by the Customer Charter, the Group provides quality port services with continuous improvement based on customer feedback. In order to meet their needs and expectations, the Group carry out regular engagement with the customers and conducts Annual Customer Satisfaction Survey (CSS) to gauge the customers' satisfaction against the Charter.

Corporate Sustainability

While the Group corporate strategies place great importance on business sustainability, the Board is always mindful of the need to take into consideration the environmental and social impact of business as part of its broader responsibility to clients, shareholders and the communities in which it operates. The Group's Sustainability Report for the year under review is disclosed on pages 91 to 92 of this Annual Report.

Supply of and Access to Information and Advice

The Board receives timely and up-to-date information on financial, operational, corporate, regulatory, business development and audit matters by way of Board Reports. These reports are crucial for making informed and sound decisions.

Procedures have been established for timely dissemination of papers or reports to all Directors prior to the Board and Board Committee meetings so that they have ample time to view the subject matter to be deliberated. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional opinion and clarification on specific agenda items. Besides having direct access to the Management, Directors may obtain external independent professional advice at the Company's expense, if considered necessary.

All Directors have full and unrestricted access to the advice and services of both the Senior Management and Company Secretary to enable them to discharge their duties efficiently and effectively.

Company Secretary

The Company Secretary plays an important advisory role and as a source of information and advice to the Board on issues relating to compliance with laws, rules, procedures and regulations affecting the Group. All Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretary in relation to compliance with laws, rules, procedures and regulations affecting the Group.

The Company Secretary attends all Board and Board Committees meetings and ensures that the meetings are properly convened and that accurate records of the proceedings and resolutions passed are maintained. The Company Secretary works closely with the Management to ensure that there are timely and appropriate information flows to the Board.

**PRINCIPLE 2:
STRENGTHENING THE BOARD COMPOSITION****Board Composition and Balance**

Article 109 of the Company's Article of Association provides that there shall be at least two (2) and not more than twelve (12) members of the Board. As at 31 December 2015, the Board membership stands at ten (10) members comprising of six (6) Non-Independent Non-Executive Directors and the remaining four (4) are Independent Non-Executive Directors. This composition fulfils the requirements mandated by the MMLR of Bursa Malaysia under Paragraph 15.02(1), which stipulates that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors.

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Chart 1: BPHB Board Composition

The Composition of the Board of Directors, Bintulu Port Holdings Berhad	
Tan Sri Dr. Ali bin Hamsa	Chairman, Non-Independent Non-Executive Director
Datuk Dr. Sundaran Annamalai <i>(Appointed on 01/09/2015 & Resigned on 16/12/2015)</i>	Non-Independent Non-Executive Director
Dato' Mat Noor bin Nawi <i>(Resigned on 01/09/2015)</i>	Non-Independent Non-Executive Director
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani	Non-Independent Non-Executive Director
Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj. Zainuddin	Non-Independent Non-Executive Director
Datuk Fong Joo Chung	Non-Independent Non-Executive Director
Datuk Nasarudin bin Md Idris	Non-Independent Non-Executive Director
Encik Dzafri Sham bin Ahmad <i>(Appointed on 01/09/2015)</i>	Non-Independent Non-Executive Director
Tuan Hj. Zakaria bin Kasah <i>(Resigned on 01/09/2015)</i>	Non-Independent Non-Executive Director
Dato' Seri Dr. Hj. Arshad bin Hashim <i>(Resigned on 01/02/2016)</i>	Independent Non-Executive Director
Datuk Seri Mohamad Norza bin Zakaria	Independent Non-Executive Director
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup	Independent Non-Executive Director
Dato' Yasmin binti Mahmood	Independent Non-Executive Director
Datuk Nozirah binti Bahari <i>(Appointed on 01/02/2016)</i>	Independent Non-Executive Director

The brief profile of each Director is presented in the 'Board of Directors Profile' section found on pages 30 to 43 of this Annual Report.

The current size and composition of the Board is considered balanced in addressing any business challenges and driving the business of the Group to greater heights. The Board members come from various professional backgrounds in terms of mix of skills, knowledge, expertise, experience and other requisite qualities. These qualities include core competencies in finance, business, oil and gas, law, general management and strategic thinking that are essential for the success of the Group. The Independent Non-Executive Directors play active roles in deliberations of policies and providing unbiased independent views and sound judgement.

The composition of the Board fairly reflects the interest of the major shareholders as represented by the appointment of their nominee Directors. The Preference Shareholder is the Minister of Finance (Incorporated) while the PetroliaM Nasional Berhad (PETRONAS), Sarawak State Financial Secretary (SFS), Equisar Assets Sdn. Bhd. and Kumpulan Wang Persaraan (Diperbadankan) (KWAP) are the major shareholders of the Group. The Independent Directors are also responsible for safeguarding the interest of minority shareholders.

Board Diversity

The Board is committed in ensuring that its composition reflects the diversity in line with Recommendation 2.2 of the MCCG 2012.

The Board also recognises that diversity is not limited to gender alone, but encompasses ethnicity/race, age as well as nationality. With the appointment of Dato' Yasmin binti Mahmood and Datuk Nozirah binti Bahari, the current Board composition comprises of eight (8) male Directors and two (2) female Directors. The Board is of the view that the current composition will generate positive impact and create value for the Company. While the Board strives to promote diversity, appointments of Directors are still premised on merits, knowledge and expertise which must be relevant to the Company.

Performance Assessment for Board

The Performance Assessment for Board (PAB) was adopted by BPHB in 2014. It is conducted internally upon completion of the financial year and comprises of Board Evaluation and Committee Evaluation. It is designed to increase the Board's effectiveness and efficiency as well as to draw the Board's attention to key areas that need to be addressed in order to maintain consistency of the Board regardless of its diversity.

Questionnaire on the PAB include the effectiveness of the Board of Directors as a whole, as well as that of the Board Committees. The Committees' structure and processes as well as accountabilities and responsibilities are also evaluated. The assessment questionnaire is distributed to all respective Board members and covers topics such as the contribution and performance of Directors with regards to their competency, time commitment, integrity and experience in meeting the needs of the Group and suggestions to enhance board effectiveness.

The overall results for the Board assessment revealed that the Board has performed evidently well, with most of the areas being rated as "Good" and "Very Good" indicating Directors' satisfaction with the Board's overall performance. The Board Committees assessment showed indications that Committee members have performed effectively as a group and in assisting the Board to discharge its roles and responsibilities. All Board Committees were also rated ranging from "Good" to "Very Good".

Upon review of the results of the Board and Committee assessment, NRC has identified areas that need improvement such as succession planning for the Group.

Nomination and Remuneration Committee

Effective from 20 January 2015, the Nomination Committee and Remuneration Committee has been merged and known as the Nomination and Remuneration Committee (NRC) for optimal utilisation of resources. With this amalgamation the Terms of Reference for the combined Board Committees remain unchanged as clearly stated in the Board Charter.

The Nomination and Remuneration Committee comprises of the following members:

- Dato' Sri Mohamed Khalid bin Yusuf @ Yusup (Member and re-designated as Chairman on 01/02/2016 cum Independent Non-Executive Director);
- Dato' Seri Dr. Hj. Arshad bin Hashim (Chairman until 31/01/2016 cum Independent Non-Executive Director);
- Datuk Fong Joo Chung (Member; Non-Independent Non-Executive Director); and
- Datuk Nozirah binti Bahari (Member effective 01/02/2016; Independent Non-Executive Director).

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The Committee's primary responsibilities include:

- initiating the process for Board appointments and making recommendations to the Board;
- assessing Directors on an on-going basis;
- reviewing annually the required skills and core competencies of Non-Executive Directors;
- establishing, reviewing and recommending to the Board the remuneration packages of Chairman, Non-Executive Directors, Chief Executive Officer, Company Secretary and Senior Management;
- recommending to the Board the payment of annual bonus, increment, performance merit and ex-gratia to the Chief Executive Officer, Company Secretary, Senior Management and all staff of the Group except those who fall under the jurisdiction of Collective Agreement; and
- Conducting induction programme and familiarisation visit for Directors.

The activities of the Nomination and Remuneration Committee during the financial year under review are as stated on page 82 of this Annual Report.

Appointment and Re-Election to the Board

Chapter 7, Part J, Para 7.26 of MMLR and Article 127 of the Company's Articles of Association require all Directors to retire at least once every three (3) years or at least one third (1/3) of the Directors shall retire by rotation each year and they are eligible for re-election. The re-election of Directors at regular intervals enhances Board effectiveness and also presents shareholders with the opportunity to measure the performance of the Directors.

Article 132 of the Company's Articles of Association provides authority for the Board to appoint any person who is willing to act as Director to fill up casual vacancies and such Director shall retire and be eligible for re-election at the next Annual General Meeting (AGM).

Directors standing for re-election / re-appointment at the forthcoming Twentieth (20th) Annual General Meeting pursuant to Article 127 and Article 132 of the Company's Articles of Association are:

- a. Directors retiring by rotation pursuant to Article 127 of the Company's Articles of Association and Paragraph 7.26 of the Main Market Listing Requirements are as follows:
 - Tan Sri Dr. Ali bin Hamsa
(Non-Independent Non-Executive)
 - Datuk Seri Mohamad Norza bin Zakaria
(Independent Non-Executive)
 - Datuk Fong Joo Chung
(Non-Independent Non-Executive)
- b. Directors retiring pursuant to Article 132 of the Company's Articles of Association are:
 - Encik Dzafri Sham bin Ahmad
(Non-Independent Non-Executive Director)
 - Datuk Nozirah binti Bahari
(Independent Non-Executive Director)

Any nomination for new Directors to the Board is to be reviewed by the Nomination and Remuneration Committee and the Committee makes recommendation for the Board's approval. The Company Secretary will ensure that all appointments are properly made and that regulatory obligations are complied with.

Directors' Training

The Board via its Nomination and Remuneration Committee evaluates and determines the training needs of its members to ensure continuing education is made available to Directors in order for them to enhance their business acumen and professionalism in the discharge of their duties. In addition, the Company Secretary also receives updates on training programmes from various organisations including the regulators. These updates are circulated to the Directors for their consideration.

The Group also provides internal briefings to the Directors on key corporate governance developments and relevant changes on the Listing Requirements, laws and regulations.

Any Director appointed to the Board is required to complete the Mandatory Accreditation Programme (MAP) within four (4) months from the date of appointment. Datuk Dr. Sundaran Annamalai and Encik Dzafri Sham bin Ahmad, being the new Directors, appointed on 1 September 2015, successfully completed the MAP within the timeframe granted by Bursa. Apart from the MAP, they have also attended a comprehensive induction briefing to familiarise themselves with the Group.

During the financial year ended 31 December 2015, some Directors have attended development and training programmes in areas of leadership, corporate governance, finance, taxation, legal and regulatory developments and oil and gas sponsored by the Group and / or Directors' personal initiatives. This is in compliance with paragraph 15.08(2) and Appendix 9C (Part A, Paragraph 28) of the MMLR.

Conferences, seminars and training programmes attended by the Directors during the financial year ended 31 December 2015 include the following:

Chart 2: Training Programmes Attended by Directors

Corporate Directors Advanced Program: "Strategy & Risks – Managing Uncertainty"
"Enhancing Regional Financial Integrating and Standardizing Towards a More Dynamic ASEAN Financial Market" by Governor of Bank Negara Malaysia
Accelerating Global Brand Success
Innovation, Technologies, Mechanisation and Sustainability
Malaysian Economy and Financial Market Post Global Crisis 2015 by Malaysian Institute of Economic Research (MIER)
Cyber Security Talk – The Risks & What Are We To Do
Budget 2016 and GST Update, Cybercrime in Financial Services and AMLA (Anti-Money Laundering Act)
Directors Remuneration 2015
"Mind, Society and Behaviour" Seminar
ADB Think Tank Development Forum
EPF Investment Seminar 2015
Post Budget 2016 Dialogue
Corporate Compliance: Focusing on Directors' Duties, Liabilities and Expectations
MIA International Accountants Conference 2015
Capital Market Director Programme for Fund Management (Module 1, 2B, 3 & 4)
Khazanah Megatrends Forum 2015
16 th International Anti-Corruption Conference 2015
The Boardroom Agenda

The External Auditors briefed the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

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Directors' Remuneration

The Nomination and Remuneration Committee duty among others is to set the appropriate remuneration framework and to determine the remuneration packages for Directors. This is to ensure that the Group continues to motivate Directors and retains talents that are necessary to manage the Group professionally and effectively.

Non-Executive Directors are paid fixed annual Directors' fees as members of the Board. In addition to fixed annual Directors' fees, the Directors are paid meeting allowance for each Board and Board Committees' meetings. Directors' fees will be paid to the Directors after approval at the Annual General Meeting as provided in the Article 110 (1) of the Company's Article of Association.

Directors' remunerations for the financial year ended 31 December 2015 in aggregate and with categorisation are as follows:

Chart 3: Directors' Remuneration Aggregate

	Executive Directors *	Non-Executive Directors*
	RM'000	RM'000
Fees	-	956.4
Meeting Allowance	-	282.0
Benefit in-kind	-	-
Total	-	1,238.4

* Including Directors who have resigned / retired.

The number of Directors of the company whose remuneration band falls within the following successive bands of RM50,000.00 is as follow:

Chart 4: Directors' Remuneration Band

Ranges of Remuneration (RM)	Executive Directors *	Non-Executive Directors*
1 – 50,000	-	2
50,001 – 100,000	-	3
100,001 – 150,000	-	7
150,001 – 200,000	-	1
Total	-	13

* Including Directors who have resigned / retired.

The details of Directors' remuneration for financial year under review are set out as below:

Chart 5: Directors' Remuneration in Total

Directors	Fees	Meeting Allowance	Benefit in-kind	Total
(RM'000)				
Non-Independent Non-Executive Directors				
Tan Sri Dr. Ali bin Hamsa	120.0	36.0	-	156.0
Datuk Dr. Sundaran Annamalai (Appointed on 01/09/2015 & Resigned on 16/12/2015)	24.4	6.0	-	30.4
Dato' Mat Noor bin Nawī (Resigned on 01/09/2015)	56.0	6.0	-	62.0
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani	84.0	12.0	-	96.0
Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj. Zainuddin	84.0	18.0	-	102.0
Datuk Fong Joo Chung	84.0	28.5	-	112.5
Encik Dzafri Sham bin Ahmad (Appointed on 01/09/2015)	28.0	9.0	-	37.0
Datuk Nasarudin bin Md Idris	84.0	24.5	-	108.05
Tuan Hj. Zakaria bin Kasah (Resigned on 01/09/2015)	56.0	22.5	-	78.5
Independent Non-Executive Directors				
Dato' Seri Dr. Hj. Arshad bin Hashim (Resigned on 01/02/2016)	84.0	32.0	-	116.0
Datuk Seri Mohamad Norza bin Zakaria	84.0	33.5	-	117.5
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup	84.0	25.5	-	109.5
Dato' Yasmin binti Mahmood	84.0	28.5	-	112.5
TOTAL	956.4	282.0	-	1,238.4

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PRINCIPLE 3: REINFORCING THE BOARD'S INDEPENDENCE

Board Independence

BPHB determines the independence of the Directors in accordance with the criteria specified in Paragraph 1.01 of MMLR, whereby an Independent Director needs to be independent from the management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Company. All four (4) Independent Directors satisfy the criteria of independence as defined under the MMLR.

The Board recognises the importance of independence and objectivity in the decision-making process. The segregation and balance of power and authority in the Board are in line with the MCCG 2012, while the Board Charter, which was established in 2013, serves as a source of reference and primary induction literature.

In deliberating relevant issues the Board shall be objective and impartial. To achieve this, Independent Directors will help to ensure that the interests of all stakeholders and not any particular fraction or group are taken into account by the Board.

For new appointments, the assessment on the independence of the proposed Director, which is carried out prior to the appointment, is ascertained in accordance with the criteria set out in the MMLR.

Roles and Responsibilities of the Chairman and the Chief Executive Officer (CEO)

There is a clear division of responsibilities between the Chairman and the CEO to promote accountability and facilitate the division of responsibility, such that no one individual has overwhelming powers over decision-making.

The Chairman

Tan Sri Dr. Ali bin Hamsa has been the Chairman of the Group since 1 November 2013. The Chairman is responsible for leading and ensuring the adequacy and effectiveness of the Board's governance process. He also acts as a facilitator at Board meetings to ensure that the Directors participate in deliberation and that no Board member dominates the discussion.

The CEO

Dato Mior Ahmad Baiti bin Lub Ahmad has been the CEO of the Group since 1 July 2011. The CEO has his overall responsibility over the Group's day-to-day business operations, organisational efficiency and effectiveness and the implementation of the duly approved Board decisions.

The Management team supports the CEO in implementing the Group's strategic plans, policies and Board decisions along with overseeing the operations and business developments of the Group.



PRINCIPLE 4: FOSTERING THE COMMITMENT OF DIRECTORS

Board Meetings

The Board meets regularly during the financial year. All Board meetings are scheduled well in advance before the end of the preceding financial year. This is to enable the Directors in planning ahead the meeting schedule and lock the dates. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings. The Board and Board Committee papers are prepared by the Management which provide relevant facts and analysis for deliberations of the Board.

During the financial year under review, twelve (12) meetings were held and details of attendance of members are as follows:

Chart 6: Board Attendance

Directors	No. of Meetings Attended	Percentage of Attendance (%)
Tan Sri Dr. Ali bin Hamsa	12/12	100
Datuk Dr. Sundaran Annamalai (Appointed on 1/9/2015 & Resigned on 16/12/2015)	5/5	100
Dato' Mat Noor bin Nawi (Resigned on 01/09/2015)	3/7	42.9
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani	6/12	50
Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj. Zainuddin	11/12	91.7
Datuk Fong Joo Chung	11/12	91.7
Datuk Nasarudin bin Md Idris	11/12	91.7
Encik Dzafri Sham bin Ahmad (Appointed on 01/09/2015)	5/5	100
Tuan Hj. Zakaria bin Kasah (Resigned on 01/09/2015)	6/7	85.7
Dato' Seri Dr. Hj. Arshad bin Hashim (Resigned on 01/02/2016)	12/12	100
Datuk Seri Mohamad Norza bin Zakaria	11/12	91.7
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup	11/12	91.7
Dato' Yasmin binti Mahmood	12/12	100

All Directors have complied with the minimum requirements in respect of attendance at Board Meetings as stipulated in Chapter 15 Paragraph 15.05 of Main Market Listing Requirements (minimum 50% attendance during a financial year).

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Directorships in Other Companies

In compliance with MMLR and consistent with the best practices recommendations of the Code, each member of the Board holds not more than five (5) directorships in public listed companies to enable the Directors to discharge their duties effectively by ensuring that their commitment, resources and time are more focused.

Time Commitment

It is the policy of the Group that Directors devote sufficient time and effort to carry out their responsibilities. The Board obtains this commitment from Directors at the time of appointment. It is also the Board's policy for Directors to notify the Chairman before accepting any new directorships notwithstanding that the Listing Requirements allow a Director to sit on the Boards of five (5) listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment.

In addition to the scheduled meetings, whenever any direction or decisions are required expeditiously from the Board, special meetings of the Board are convened by the Company Secretary, after consultation with the Chairman. Decisions of the Board are made unanimously or by consensus. Where appropriate, decisions may be taken by way of Directors' Circular Resolutions (DCR) between scheduled and special meetings. In 2015, three (3) resolutions ranging from administrative to operational issues were approved by Directors via DCR.

The agenda for the meetings of the Board are set by the Company Secretary in consultation with the Chairman and the CEO. The agenda, the relevant reports and Board papers are furnished to Directors in advance to allow the Directors sufficient time to peruse for effective discussion and decision making during the meetings. The Board has a recurring schedule of matters which are typically listed on the agenda and reviewed during the course of the year. The scheduled meetings focus on the Group's Business Plan, Quarterly Reports, recommendations of the various Board Committees, announcements to Bursa, Group's Audited Financial Statements and Annual Reports.

All pertinent matters discussed at Board meetings are properly minuted by the Company Secretary.



**PRINCIPLE 5:****UPHOLDING THE INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY****Directors' Responsibility**

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and positions and prospects at the end of the financial year. This is done primarily through the annual financial statements and quarterly announcement of results to shareholders. The Board is responsible for ensuring that the financial statements give an accurate and fair view on the state of affairs including cash flow of the Group.

Audit Committee

To enhance the financial reporting process and the quality of the Group's financial statements, the Board is assisted by an Audit Committee, with majority of its members comprising of Independent Directors. The composition of the Audit Committee, including its roles and responsibilities are set out on pages 85 to 86 of this Annual Report.

One of the key responsibilities of the Audit Committee is to ensure that the financial statements of the Group comply with the current applicable Financial Reporting Standards in Malaysia. Such financial statements comprise of the quarterly financial report recommended to the Board for subsequent announcement to Bursa Malaysia. The Board, through the Audit Committee, has established formal and transparent arrangements with External Auditors in producing accurate financial reports and good internal control mechanisms.

External Audit

In assessing the independence of external auditors, the Audit Committee requires written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants. Further explanations on external audit function are set out on page 89 of this Annual Report.

The Group's financial highlights and indicators for the financial year ended 31 December 2015 are set out on pages 12 to 14 of this Annual Report.

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PRINCIPLE 6:

RECOGNISING AND MANAGING RISKS

Recognising the importance of risk management and internal control, the Board has established a structured risk management framework to identify, evaluate, control, monitor and report the principal business risks faced by the Group on an on-going basis.

The Board has developed procedures to mitigate the business and operational risks as identified by various divisions and coordinated by Group Corporate Planning and Development. The Board performs reviews on the Group's Risk Profiles on a bi-annual basis guided by the Statement on Risk Management and Internal Control and Guidelines for Directors of Listed Issuers.

The Management and the Audit Committee provide the Board with reports on actions taken to mitigate the risks. These actions give reasonable assurance to shareholders on the level of effectiveness of the Group's risk management and internal control system.

Details on the Statement on Risk Management and Internal Control are furnished on pages 72 to 79 of this Annual Report.



PRINCIPLE 7:

ENSURING TIMELY AND HIGH QUALITY DISCLOSURE

An essential aspect of an active and effective communication policy is the promptness in disseminating information to shareholders and investors. The Board is guided by the Corporate Disclosure Guide issued by Bursa Malaysia and adheres strictly to Bursa Malaysia's high quality disclosure framework to provide investors and the public with accurate and complete information on a timely basis.

For the financial year under review ending 31 December 2015, the corporate disclosure procedures which have been implemented by the Group are as follows:

i) Timely Release of Quarterly Financial Results

The Group accords high priority in ensuring that information is made available and disseminated as early as possible. The prompt and timely release of financial results on a quarterly basis enables shareholders to review the Group's performance and operations in order to make informed investment decisions. Based on the foregoing, the Board has approved and released the quarterly financial results for the year 2015 on the following dates:

Chart 7: Quarter Results Announcement

2015 Quarterly Results	Date of Issue / Release	Number of Days after end of year / Quarter	Bursa Malaysia deadline
1 st Quarter	29 May 2015	59	29 May 2015
2 nd Quarter	25 August 2015	55	28 August 2015
3 rd Quarter	9 November 2015	40	30 November 2015
4 th Quarter	25 February 2016	56	29 February 2016

ii) Investor Relations

The Group holds separate interfacing sessions with fund managers, institutional investors and investment analysts as well as the media. The sessions are intended to disseminate updated progress and development of the Group's business to interested parties including the shareholders and stakeholders.

In year 2015, the Group's interfacing sessions were as follows:

Chart 8: Interfacing Session

Organisations	Venue	Date
KAF-Seagroatt & Campbell Securities Sdn Bhd	Bintulu Port Holdings Berhad Samalaju Industrial Port Sdn. Bhd.	26 January 2015
Minority Shareholder Watchdog Group (MSWG)	Bintulu Port Holdings Berhad	26 March 2015
Maybank Investment Bank Permodalan Nasional Berhad Pacific Mutual Berhad	Eastin Hotel, Petaling Jaya, Selangor	30 April 2015
RHB Research Institute	Bintulu Port Holdings Berhad Samalaju Industrial Port Sdn. Bhd.	11 June 2015
Kenanga Investment Bank Berhad Kumpulan Wang Persaraan (Diperbadankan) - KWAP	Pavilion Kuala Lumpur	11 June 2015
Public Investment Bank Berhad AmResearch Sdn Bhd	Bintulu Port Holdings Berhad Putrajaya Marriott Hotel	27 July 2015 22 September 2015
KAF-Seagroatt & Campbell Securities Sdn Bhd Employees Provident Fund (EPF)	Bintulu Port Holdings Berhad Samalaju Industrial Port Sdn. Bhd.	26 October 2015
Permodalan Nasional Berhad (PNB)	Bintulu Port Holdings Berhad Samalaju Industrial Port Sdn. Bhd.	17 – 18 November 2015
Maybank Investment Bank J.P. Morgan Chase Bank Berhad	Putrajaya Marriott Hotel	3 December 2015
Lembaga Tabung Haji	Lembaga Tabung Haji Office, Kuala Lumpur	4 December 2015

Statement on Corporate Governance

iii) Group's Website and Primary Contact

The Board places great importance in maintaining active dialogue and effective communication with shareholders and investors for accountability and transparency to enable shareholders and investors to make informed investment decisions. Apart from providing comprehensive insights into the Group's financial performance through the interfacing sessions, the financial and business performances are also communicated through the Group's website.

Up-to-date information on the Group is accessible via the Group's website at <http://www.bintuluport.com.my>

In addition, shareholders and investors may also obtain the up-to-date information, the latest corporate, financial and market information of the Group through the Bursa Malaysia website at <http://www.bursamalaysia.com>.

The primary contacts of the Group are as follows:

Chief Executive Officer

Bintulu Port Holdings Berhad
Tel : +60 86 291001 (ext. 300)
Fax: +60 86 253597

Company Secretary

Bintulu Port Holdings Berhad
Tel : +60 86 291001 (ext. 257)
+60 86 251090 (Direct Line)
Fax: +60 86 254062

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Board is mindful of the legal and regulatory framework governing the release of material and price sensitive information.

Annual Report

The Annual Report provides a comprehensive report on the Group's operations and financial performance for the year under review. It provides full disclosure and is in compliance with the relevant regulations to ensure greater transparency. An electronic format of the Annual Report is also available on the Group's website.

**PRINCIPLE 8:****STRENGTHENING THE RELATIONSHIPS BETWEEN THE COMPANY AND THE SHAREHOLDERS**

The Board believes that it is not only accountable to shareholders but also responsible for managing a successful and productive relationship with the Group's stakeholders.

Annual General Meeting (AGM)

The Annual General Meeting remains the principal forum for shareholders. This venue allows shareholders to review the Group's performance via the Company's Annual Report. The Notice of AGM is circulated at least twenty one (21) days in advance of the meeting in accordance with the MMLR to facilitate full understanding and evaluation of the issues involved.

Active participation by the shareholders is encouraged during the AGM, in which an open platform is made available to the shareholders to raise questions both about the resolutions being proposed before putting a resolution to vote as well as matters relating to the Group's operations in general. Appropriate responses and clarifications are promptly provided by the Board members to the shareholders.

Upon the conclusion of the AGM, a press conference is immediately held where the Chairman informs the media in respect of the resolutions passed and answers questions pertaining to the Group's business. The outcome of the AGM is announced to Bursa Malaysia on the same meeting day.

During the 19th AGM 2014, the CEO provided shareholders with an overview of the Group's operations and the financial year's performance. The CEO also shared responses to the questions submitted in advance by the Minority Shareholder Watchdog Group (MSWG).

Communication and Engagement with Shareholders

Shareholders can access corporate information, Annual Reports, press releases, financial information, company announcements and share prices through investors' relations programmes and the website as highlighted under Principle 7 (ii & iii) above. However, undisclosed material information about the Group will not be given to any single shareholder or shareholder groups.

Statement on Corporate Governance

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Chapter 9, Paragraph 9.25 and 9.41 of Main Market Listing Requirements.

(i) Recurrent Related Party Transactions of a Revenue Nature

As required by the Main Market Listing Requirements, Recurrent Related Party Transactions of a revenue nature must be disclosed in the Annual Report. For the year 2015, there were no new related parties involved with the Group other than the existing ones which comprise the Sarawak State Financial Secretary (SFS) and Petroliaam Nasional Berhad (PETRONAS). The transactions involved are in the ordinary course of business and are of terms not more favourable to the related party than those generally available to the public. The services rendered or goods purchased are based on a non-negotiable fixed price which is published or publicly quoted and all material terms including the prices or charges are applied consistently to all customers or classes of customers.

(ii) Non-Audit Fees

The requirement to disclose the Non-Audit Fee is provided for under Chapter 9, Item (18) of Appendix 9C of the Main Market Listing Requirements. Hence, the Non-Audit Fee paid to the External Auditor by the Group for reviewing the Director's Statement on Risk Management and Internal Control for the year ended 31 December 2015 is in the sum of RM8,000.00 only.

(iii) Material Contract

The Board confirms that there was no material contract entered into by the Group involving the Directors' and major shareholders' subsisting interest at the end of 2015.

(iv) Imposition of Sanctions / Penalties

There were no sanctions/penalties on the Group, Board of Directors and Management for the financial year ended 31 December 2015.

(v) Details of Attendance at Meetings Held in the Financial Year Ended 31 December 2015

For attendance, please refer to page 64 of this Statement.

(vi) Statement by the Board on Compliance

Throughout the financial year ended 31 December 2015, the Group had complied with and observed the substantive provisions of the Malaysian Code on Corporate Governance 2012, the relevant Chapters of the Main Market Listing Requirements and the Companies Commission of Malaysia's (CCM) requirements.

Statement made in accordance with the Board's Resolution dated 13 January 2016.

Tan Sri Dr. Ali bin Hamsa
Chairman

Dato' Sri Mohamed Khalid bin Yusuf @ Yusup
Independent Non-Executive Director

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

(Pursuant to Chapter 15, Part E, Para 15.26 (b) of the Main Market Listing Requirements)





INTRODUCTION

This Statement is made pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) which requires the Board of Directors of listed companies to include in the annual report a statement about the state of internal control of the listed issuer as a group. The Malaysian Code on Corporate Governance 2012 (the Code) requires the Board to establish a sound risk management framework and internal control system.

The primary duty of the Board of Directors Bintulu Port Holdings Berhad (the Board) is to maintain a sound system of risk management and internal control. This is to safeguard shareholders' investment and the assets of the Group in consistent with the Principles and Best Practices as stipulated in the Malaysian Code on Corporate Governance 2012. The Board acknowledges the importance of maintaining effective risk management practices and sound internal controls to ensure good corporate governance.

The Board of Directors is pleased to provide the following Statement of Risk Management and Internal Control for the Group for the financial year ended 31 December 2015 which has been prepared taking into account also the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for risk management and is assisted by the Audit Committee to establish a sound risk management framework and an effective internal control system. The Board is to ensure that key risk areas are managed to an acceptable level to achieve the Group's business objectives.

The Board of Bintulu Port Holdings Berhad maintains full control over strategic, financial, organisational and compliance issues and has put in place the formal lines of responsibility and delegation of authority. The Board has carried out an on-going process of identifying, evaluating and managing significant risks that may affect the achievement of business objectives of the Group. In managing the identified risks, the Group continually monitors and reviews the risks and the mitigation programmes.

The Board has established procedures, for the Company and its subsidiaries, to ensure the adequacy and integrity of the Group's internal control. The system of internal control is designed to best manage the risks that may impede the achievement of the Group's business objectives.

For the financial year ended 2015, the Board had undertaken the following initiatives to provide reasonable assurance to further strengthen the Group's internal control system:

- The Group had established the holding subsidiaries relationships through the appointment of Board of Directors of respective subsidiaries to oversee business operations and maintain sound Risk Management and Internal Control system at subsidiaries level.

- The Group had performed comprehensive budgeting and forecasting exercises. The actual performance against budget are analysed and reported on a quarterly basis to the Board. Timely corrective actions are then taken.
- Key business risks are reviewed bi-annually by the Audit Committee and the Board taking cognisance of changes in the regulatory, technology, operational procedures and business environment in order to ensure the adequacy and integrity of the overall internal control systems.
- Upon joining the Group, all staff receives the Codes of Conduct that they are required to strictly adhere to in order to ensure high level of discipline and positive attitude in the discharge of their responsibilities. The Codes of Conduct is also an integral part of the internal control system. It is the responsibility of all staff to maintain and practise sound risk management and internal control as part of their accountability towards achieving the overall Group's objectives.
- The Customer Charter is a benchmark set by the Group for scrutinising and evaluating operational efficiency and performances towards ensuring customers' satisfaction. The Management is committed to ensure the strict adherence to the Customer Charter at all levels of operation.
- In recognition of its sound management systems, the Group through its subsidiaries has successfully managed to secure accreditation from various bodies and agencies as follows:

BINTULU PORT SDN. BHD.

1. Certified Quality Management System in "Provision of Port Services" (ISO 9001:2008) by Bureau Veritas Certification (Malaysia) Sdn Bhd
2. Certified Environmental Management System in "Provisions of Port Services" (ISO 14001:2004) by Bureau Veritas Certification (Malaysia) Sdn Bhd
3. Certified Occupational Health and Safety Management System in "Provisions of Port Services" (OHSAS 18001:2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
4. Certified Malaysian Standards on Occupational Safety and Health Management System in "Provisions of Port Services" (MS 1722:2011) by Bureau Veritas Certification (Malaysia) Sdn Bhd
5. Certified in Trade, Collection and Storage & Transshipment – "Handling of Palm Kernel Related Products" (GMP+B3 (2007)) by Bureau Veritas Certification (Malaysia) Sdn Bhd
6. Certified HACCP System and Guidelines for its Application in "Management of a Food Hazard Analysis System and Critical Control Point (HACCP) for the Handling of Palm Kernel Related Products" by Bureau Veritas Certification (Malaysia) Sdn Bhd
7. Certified Security Management System for the Supply Chain (ISO 28000:2007) in "Provision of Port Operation Services (Sea Patrol, Control Tower, Pilotage, Tug Assistance, Mooring Boat, Mooring Gang, Stevedoring, Warehousing and Security Check – Point)" by Bureau Veritas Certification (Malaysia) Sdn Bhd
8. Statement of Compliance under Section 249K MERCHANT SHIPPING ORDINANCE 1952 (ISPS Code Certification) by Director General of Marine Malaysia
9. MSOSH OSH Award 2014, Gold Class 1 (Services Sectors) in Recognition of Very Good Achievement in 2014 OSH Performance

Statement on Risk Management & Internal Control

BIPORT BULKERS SDN. BHD.

1. Quality Management System on Handling and Storage of Edible Oil Products, Sludge and Edible Oil Based Feed Materials (ISO 9001:2008) by Lloyd's Register Quality Assurance (LRQA)
2. GMP+B3 (2007): Trade, Collection and Storage & Transshipment (Storage of Palm Fatty Acid Distillate and Palm Kernel Fatty Acid Distillate for Third Party) by Lloyd's Register Quality Assurance (LRQA)
3. HACCP Codex Alimentarius Annex (2009) for Management of a Food Hazard Analysis and Critical Control Point (HACCP) System for Handling and Storage of Edible Oil Products by Lloyd's Register Quality Assurance (LRQA)
4. Certified Site of ISCC EU (International Sustainability and Carbon Certification) for "Individual Warehouse" by SGS Germany GmbH

SAMALAJU INDUSTRIAL PORT SDN. BHD.

1. Statement of Compliance under Section 249K MERCHANT SHIPPING ORDINANCE 1952 (ISPS Code Certification) by Director General of Marine Malaysia

CONTROL ENVIRONMENT AND STRUCTURES

The Board affirms its overall responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Control environment is the primary elements in the Risk Management and Internal Control system of the Group where it has in place policies and procedures in key business processes and support functions which include financial reporting, procurement and information systems.

All aspects of risk management and internal control are cascaded down by the Management to permeate companywide in ensuring the successful implementation of risk management and internal control within the Group. Principal features of the Group's internal control structure are summarised as follows:

1. Organisational Structure and Responsibility Levels

The Group has an organisational structure with formal lines of authority and accountability which sets out clear segregation of functions, roles and responsibilities to guarantee effective control at various level of the Group. The Management is responsible for the implementation of the Group's strategies and day-to-day businesses based on the established structure.

Organisational structures are reviewed from time to time to address the changes in the business environment as well as to keep abreast of current and future trending of new technologies, products and services.

2. Internal Audit

Paragraph 15.27 of the Main Market Listing Requirements mandates a listed issuer to establish an Internal Audit function which is independent and reports directly to the Audit Committee. The internal control practices are audited in-house by the Group Internal Audit to identify any non-compliance elements of the policies, procedures, regulations and standards. Any irregularity or significant finding by the Internal Audit is reported to the Audit Committee together with recommendations for corrective measures on timely basis. The Management is responsible to ensure that corrective actions are carried out within the determined time frame.

The Audit Committee regularly oversees the Group Internal Audit function, its independence, scope of work and resources.

3. Legal

The role of the Legal Division is to advise the Board and Management on all legal matters. It also plays a pivotal role in ensuring that the interests of the Group are legally preserved and safeguarded. The Board is regularly updated through reports and when there are introduction of new legislations or changes in existing laws relevant to the Group.

4. Policies and Procedures

The Group policies, procedures and authority limits have been clearly defined and documented. These are also available in the relevant charters, Terms of Reference and organisational structures. Information relating to financial matters, Procurement and Contract Management, Human Resources and Information Technology are accessible through the Group's Intranet and manuals. Continuous efforts are made to enhance the Group's control mechanism to reflect the Group's growing business requirements and changing business strategy.

5. Financial and Operational Information

Financial and operational performances are monitored by the Management on a regular basis. The financial performance is reported quarterly to comply with the Bursa Malaysia Listing Requirements.

Apart from this, the status of business operations and safety performances are reported to the Management on a monthly basis. The periodic reports are then presented to the respective Boards to enable them to gauge the Group's overall performance.

Monitoring of the risk profiles is done at the risk owner's level on monthly basis. Information on the enterprise risk profiles and mitigation programmes are submitted and reported to the Board bi-annually.

6. The Board Commitment

The current global business environment is very dynamic and challenging. In view of this the Board is committed towards reviewing and improving the system of Risk Management and Internal Control in line with the ever changing business environment and current realities to ensure the Group meets its business objectives and maintains its business sustainability.

KEY RISK MANAGEMENT AND INTERNAL CONTROL

The significance of Risk Management and Internal Control in ensuring business sustainability need not be over emphasised. The Company has instituted initiatives and measures to further strengthen all aspects of the risk management and internal control of the Group through the following mechanisms:

1. **Audit Committee** regularly reviews and discusses the measures undertaken on Risk Management and Internal Control issues identified by the Internal Audit, External Auditors and Management for the Board's approval. The Committee is equally accountable for the progress of actions taken to manage and mitigate the risks.
2. **Nomination and Remuneration Committee** recommends to the Board any nomination, re-election and composition of the Board. The Committee is also responsible for making recommendations on the appointment of the Chief Executive Officer and Senior Management as well as reviewing Human Resources Policies of the Group. The Committee recommends to the Board remuneration packages for Directors, Chief Executive Officer and Senior Management.

Statement on Risk Management & Internal Control

3. Finance and Investment Committee oversees the Group's businesses in respect of the financial affairs, budget, planning, financial risks and control, investment and development proposals and makes recommendations for the Board's approval.

4. Other Committees

In addition to the Board Committees, there are other committees established at the subsidiaries level to support the execution of various programmes and activities as follows:

a. Tender Committees at the respective subsidiaries are established to ensure that all tender administration and contract management are being carried out in accordance with the approved policies and procedures. The Committee shall ensure that tender evaluation exercises are conducted in an effective, transparent and fair manner based on guiding principles of accountability to the shareholders, published policy and procedures to ensure value for money. The Approving Authority varies according to the tender value from the level of Chief Executive Officer to the Board of the subsidiaries and the Board of the holding company.

b. Other Ad-hoc Committees are as follows:

- Steering Committee for Privatisation and Extension of Concession Period to prepare proposal for submission to the relevant authorities;
- Steering Committee for the development of the Group's 5-year Strategic Plan and its strategic direction;
- Recruitment Committee for recruitment of new staff;
- Inquiry Committee to identify the cause of accident and suggested preventive measures; and
- Project Steering Committee to guide Management and the Appointed Consultant / Advisors on the development of Samalaju Port including overall monitoring of the said project.

5. Reporting

Group Corporate Planning and Development oversees the Enterprise Risk Management (ERM) Unit and reports directly to the Group Chief Executive Officer. Each Risk Profiles has its own Risk Focal Person who undertakes the monitoring and assessing the risks controls in their respective division and departments.

The Divisions / Departments are responsible for identifying, mitigating and managing risks within their respective areas. The Risk Owners will generate "Enterprise Risk Profiles" which is presented to the Board and covers the following:

- Risk Description
- Root Causes
- Consequences of Risk
- Current Control
- Action Plan, Timeline and Risk Owner
- Impact and Likelihood Rating

The Enterprise Risk Profiles is continuously updated detailing the significant risks, the status of risks and the status of implementation of mitigation strategies for review by the Audit Committee twice a year.

Enterprise Risk Management (ERM)

Risk management is firmly embedded in the Group's system of internal controls as it is regarded by the Board to be integral to operations. Managing risk is a shared responsibility and, therefore, is integrated into the Group's governance, business processes and operations. It is an interactive process consisting of steps which, undertaken in sequence, enable continual improvement in decision making. Employees' commitment to ERM is continuously emphasised and reinforced.

Risk Assessment

Risk assessment is the identification and analysis of risks which may impede the achievement of the Group's objectives. Key activities involved within this area are:

- Group Corporate Planning and Development is responsible for the overall coordination of the ERM Unit for the Group. The Unit works closely with the Risk Focal Person across the Divisions to ensure that the risk controls is embedded into business processes. Risk Profiles are developed at all levels of the Group and appropriate action plans are in place to mitigate these risks. At Group level, a Corporate Risk Profile is established which outlines the significant risks faced by the Group.
- Group Internal Audit complements the role of the ERM Unit by independently reviewing risk profiles, risk management strategies and the adequacy and effectiveness of the controls identified and implemented in response to the risks identified at every audit engagement.

The risk identification process, which is done on an on-going basis entails scanning of all key factors within our business context. Risks are generally classified into distinct categories, namely strategic, financial, operational and compliance, representing the challenges to the Group's business operations. The ERM Unit continuously updates the status of risks and mitigation strategies implementation for reviews by the Audit Committee twice a year.

The Professionalism and Competence of Staff

The Group's objectives and plans have been periodically communicated to provide effective and clear directions to all staff. Training and development programmes are identified and scheduled for the staff to acquire the necessary knowledge, skills and core competencies to enhance their professionalism.

To further gauge the level of staff professionalism and competencies, the Group adopted the following mechanisms and initiatives:

- Performance Appraisal System;
- Key Performance Indicators;
- Employees Satisfaction Survey;
- Customer Satisfaction Survey; and
- Inculcation of positive organisational values and cultures.

Statement on Risk Management & Internal Control

PRIMARY CONTACT

The primary contact pertaining to Risk Management and Internal Control of the Group are as follows:

Group Chief Executive Officer

Bintulu Port Holdings Berhad
Tel : + 60 86 291001 (ext. 300)
Fax : + 60 86 253597

Group Corporate Planning and Development

Bintulu Port Holdings Berhad
Tel : + 60 86 291001 (ext. 233)
Fax : + 60 86 253 263

Group Internal Audit

Bintulu Port Holdings Berhad
Tel : + 60 86 291001 (ext. 380)
Fax : + 60 86 291617

REVIEW OF EFFECTIVENESS

The Board remains committed towards improving the system of internal control and risk management process to meet its corporate objectives. The Board is of the opinion that the Group's present system of internal controls is sound and sufficient to safeguard the Group's interest and its business operations. It is also satisfied that the risks taken are at an acceptable level within the control of the business environment of the Group.

REVIEW OF THE STATEMENT BY INTERNAL AND EXTERNAL AUDITORS

In line with Paragraph 15.23 of the Bursa Malaysia Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with **Recommended Practice Guide 5 (Revised 2015): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report [RPG 5 (Revised 2015)]** issued by the Malaysian Institute of Accountants.

Based on their review for the financial year ended 31 December 2015 and up to the date of issuance of the financial statements, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in all material aspects.

This Statement on Risk Management and Internal Control had been reviewed and affirmed by the Internal Auditors as well as the External Auditors for inclusion in the Annual Report of the Group for the financial year ended 31 December 2015 in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements.

Statement made in accordance with the Board's Resolution dated 13 January 2016.

Tan Sri Dr. Ali bin Hamsa
Chairman

Dato' Sri Mohamed Khalid bin Yusuf @ Yusup
Independent Non-Executive Director

BOARD COMMITTEES REPORT





A Board Committee deals with a specific matter or general issues within their respective Terms of Reference (TOR). It is expected to meet regularly and report to the Board with recommendations on specific matters to facilitate the Board in decision-making process.

The Board of Bintulu Port Holdings Berhad had set up three (3) committees to undertake specific duties and assist the Board in decision-making and to protect the interest of the Group in meeting the business changing needs. The criteria for the membership are based on a Director's skills and experience, as well as his ability to add value to the Board Committees. The Committees are the Audit Committee, Nomination and Remuneration Committee and Finance and Investment Committee.

The respective Committees had their own TOR whereby they are empowered to deliberate, discuss issues, recommend proposals as well as provide assurance through their recommendations and feedbacks to the Board. The confirmed Minutes of the Committees shall then be circulated to all Board members in order to give opportunity to Non-Committee Members to seek any clarifications, raise any queries or give views on the matters discussed.

The Committees comprised of members from the main Board itself where the Independent and Non-Independent Directors play a leading role in these Committees. Two (2) of the Committees namely Audit Committee and Nomination and Remuneration Committee are chaired by the Independent Non-Executive Directors whilst the Finance and Investment Committee is chaired by Non-Independent Non-Executive Directors.

AUDIT COMMITTEE

The details of the Audit Committee's composition, roles, responsibilities, activities and number of meetings held during the financial year ended 31 December 2015 are presented on pages 85 to 89 of this Annual Report.

NOMINATION AND REMUNERATION COMMITTEE

Effective from 20 January 2015, the Nomination Committee and Remuneration Committee has been merged and is known as the Nomination and Remuneration Committee (NRC). The new appointed members are now entrusted with the functions of both committees. The duties and responsibilities of the respective nomination and remuneration functions are also comprehensively defined in the Board Charter.

The responsibilities of NRC amongst others are:

- a) To review and recommend to the Board, the appointment, renewal and re-election of the Directors, CEO as well as Senior Management;
- b) To assess the balance of Independent and Non-Independent Directors sitting on the Board and the Board Committees;
- c) To ensure that an orientation and induction programme is in place for new Board members;
- d) To establish, review and recommend to the Board the remuneration packages of Chairman, Directors, CEO, Company Secretary and Senior Management. The Committee also reviews and recommends the Terms and Conditions of Services; and
- e) To determine Directors' fees which are deliberated by the Committee and approved by the Board as a whole. The Board recommends the remuneration payable to the Directors and any changes thereof are subject to shareholders' approval at the Annual General Meeting.

The activities of the NRC during the financial year ended 31 December 2015 include the following:

1. Recruitment, appointment and re-election of Directors;
2. Proposed of the Directors' Fee and remuneration packages for the Group CEO;
3. Appointment of the Company Secretary and Senior Management of the Company and its subsidiaries;
4. Reviewed the Succession Planning of the Senior Management; and
5. Reviewed the new Organisation Structure for the Group's subsidiary company.

The Nomination and Remuneration Committee comprises of three (3) Directors, two (2) of whom are Independent Directors.

For matters that require the Committee's urgent decision it is done via the Director's Circular Resolutions (DCR) together with the proposals containing relevant information for their consideration. Only one (1) NRC Director's Circular Resolution was approved during the year. Overall, there were six (6) meetings held for the financial year ended 31 December 2015 as follows:

Composition	No. of Meetings Attended	Percentage of Attendance (%)
Dato' Seri Dr. Hj. Arshad bin Hashim (Chairman) Independent Non-Executive Director	*6/6	100
Datuk Fong Joo Chung (Member) Non-Independent Non-Executive Director	*6/6	100
Dato' Sri Mohamed Khalid bin Yusuf @ Yusuf (Member) Independent Non-Executive Director	*6/6	100

* Nomination and Remuneration Committee Meeting No.4/2015 was held by way of Circular Resolution pursuant to Article 149 of the Company's Articles of Association vide letter Ref. (120) BHB/3.1/1 Jld. 2 dated 25 June 2015.

BOARD COMMITTEES REPORT

FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee assists and supports the Board's responsibility to oversee and monitor the Groups' Annual Budget including revenue and expenditure. The Committee is also responsible to review and manage the capital expenditure for projects, business acquisitions and investment appraisals undertaken by the Group as well as financial performance for enhancement of profitability.

Effective from 20 January 2015, the Finance and Investment Committee comprises of three (3) Directors, with the majority of whom are Non-Independent Directors. There was one (1) meeting held for the financial year ended 31 December 2015 as follows:

Composition	Attendance at Committee Meetings	Attendance Percentage (%)
Datuk Nasarudin bin Md Idris (Chairman) Non-Independent Non-Executive Director	1/1	100
Dato' Mat Noor bin Nawawi (Member) Non-Independent Non-Executive Director (Resigned on 01/09/2015)	-*	-*
Datuk Dr. Sundaran Annamalai (Member) Non-Independent Non-Executive Director (Appointed on 01/09/2015 & resigned on 16/12/2015)	1/1	100
Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj. Zainuddin (Member) Non-Independent Non-Executive Director	1/1	100

* The Finance and Investment Committee Meeting for the year 2015 was held on 29 October 2015.



AUDIT COMMITTEE REPORT

(Pursuant to Chapter 15, Part C, Para 15.15 of the Main Market Listing Requirements)





1. AUDIT COMMITTEE MEMBERS

Chairman

Datuk Seri Mohamad Norza bin Zakaria

*Independent Non-Executive Director
(Member and re-designated as Chairman on 20/01/2015)*

Dato' Seri Dr. Hj. Arshad bin Hashim

*Independent Non-Executive Director
(Chairman until 19/01/2015)*

Members

Dato' Yasmin binti Mahmood

*Independent Non-Executive Director
(Appointed on 20/01/2015)*

Encik Dzafri Sham bin Ahmad

*Non-Independent Non-Executive Director
(Member effective 01/09/2015)*

Tuan Hj. Zakaria bin Kasah

*Non-Independent Non-Executive Director
(Member until 31/08/2015)*

2. COMPOSITION OF AUDIT COMMITTEE

- a. The Chairman of the Committee shall be an Independent Director of the Company with two (2) other directors sitting as members and must be composed of not fewer than three (3) members. All the Audit Committee members must be non-executive directors, with a majority of them being independent directors and no alternate director can be appointed as a member of the Audit Committee. The quorum for the meetings of the Audit Committee shall be two (2).
- b. Pursuant to Para 15.09 (1) (c) (i) by the MMLR of Bursa Malaysia, at least one (1) member of the committee must be:
 - i. A member of the Malaysian Institute of Accountants (MIA); or
 - ii. If he is not a member of the MIA, he must have at least three (3) years working experience; and
 - a. He must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - b. He must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - iii. Fulfils such other requirements as prescribed or approved by the Exchange.

Datuk Seri Mohamad Norza bin Zakaria meets the specific requirement, where he is a holder of an accounting qualification and Chartered Accountant under the Malaysian Institute of Accountants (MIA) as well as a Fellow of Certified Practising Accountant (CPA) of Australia. Further, all other members have working familiarity with basic finance and accounting practices.

3. TERMS OF REFERENCE

a. Objectives

The objectives of the Committee are:

- To ensure adequacy and effectiveness of the Company's system of internal controls and the quality of performance in carrying out the assigned responsibilities; and
- To oversee, identify, manage all business risks and ensure that the risk management process is in line with the risk management principles and procedures of the Company.

b. Duties and Responsibilities

The primary duties and responsibilities of the Audit Committee is to review the following and report the same to the Board:

- i. with the External Auditors, the audit plan;
- ii. with the External Auditors, their evaluation of the system of internal controls;
- iii. with the External Auditors, their audit report;
- iv. the assistance given by the employees of the Company to the External Auditor;
- v. the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- vi. the Internal Audit programme, processes, the results of the internal audit programmes, processes or investigation undertaken and whether or not appropriate actions have been taken on the recommendations of the internal audit functions;
- vii. the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
- viii. any related party transaction and conflict of interest that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- ix. any letter of resignation from the External Auditors of the Company;
- x. whether there is reasonable grounds to believe that the Company's External Auditor is not suitable for re-appointment;
- xi. risk management policies, guidelines and strategies of the Company; and
- xii. all business risks and ensure the implementation of appropriate systems to manage these risks by risk owners.

c. Authority

The Committee is authorised to do all things necessary to fulfil its responsibilities as vested upon it by virtue of its appointment by the Board and such other special authorities specifically vested by the Board from time to time. The Committee shall have authority to regulate the manner of proceedings of its meetings having regard to normal conventions on such matter.

d. Audit Committee's Terms of Reference

The Audit Committee has discharged its function and carried out its duties as set out in the TOR as per the Board Charter which is available on the Company's website at <http://www.bintuluport.com.my>.

AUDIT COMMITTEE REPORT

4. MEETINGS AND MINUTES

The Audit Committee meets on quarterly basis to carry out its functions. A total of eight (8) Audit Committee meetings were held during the financial year ended 31 December 2015, which are attended by the Audit Committee members, Head of Internal Audit and by invitation, members of the Management and related auditees.

Details of the meetings and attendance are as follows:

No. of Meeting	Place of Meeting	Date	Time
01/2015	Putrajaya Marriott Hotel	13/01/2015	9.00 am
02/2015	Putrajaya Marriott Hotel	16/02/2015	9.00 am
03/2015	Putrajaya Marriott Hotel	10/03/2015	9.00 am
04/2015	Putrajaya Marriott Hotel	27/05/2015	4.30 pm
05/2015	Putrajaya Marriott Hotel	24/08/2015	3.00 pm
06/2015	Putrajaya Marriott Hotel	02/09/2015	3.30 pm
07/2015	Putrajaya Marriott Hotel	09/11/2015	3.00 pm
08/2015	Putrajaya Marriott Hotel	02/12/2015	2.00 pm

The Company Secretary also acts as a secretary to the Audit Committee and minutes of each meeting have been circulated to the Board of Directors for information and perusal.

Attendance at Meetings

Attendance of the Audit Committee meetings for financial year ended 31 December 2015 are as follows:

Name of Directors	No. of Meetings Attended	Attendance Percentage (%)
Datuk Seri Mohamad Norza bin Zakaria	8/8	100
Dato' Seri Dr. Hj. Arshad bin Hashim	1/1	100
Dato' Yasmin binti Mahmood	7/7	100
Encik Dzafri Sham bin Ahmad	3/3	100
Tuan Hj. Zakaria bin Kasah	3/4	75

5. SUMMARY OF ACTIVITIES

A summary of the activities performed by the Committee during the financial year is set out below:

a. Internal Audit

- Reviewed and approved Annual Audit Plan to ensure adequate scope and comprehensive coverage of the Group's activities based on risk assessment approach;
- Ensured adequacy of resources and competencies of staff in executing the Audit Plan to produce quality and reliable audit report;
- Reviewed contents of internal audit reports issued by Internal Audit on the effectiveness and adequacy of governance, risk management, operational and compliance processes;
- Reviewed the proposed corrective actions to be implemented by the process owners; and
- Met the Internal Auditors without the presence of Management to obtain feedback from them and to discuss measures that may enhance the Internal Audit function of the Company.

b. External Audit

- Reviewed the External Auditors terms of engagement, nature and scope of work for financial year 2015 for Board's approval;
- Reviewed the findings from External Auditor Report especially the audited financial statements and ensured proper management response on issues raised by the External Auditor;
- Reviewed and recommended to the Board for approval on the audit fees for the External Auditor; and
- Met the External Auditor without the presence of Management to obtain feedback from them and to discuss measures that may enhance the audit function of the Company.

c. Financial Results

Reviewed the Quarterly and Annual Financial Statements of the Group and recommended to the Board for approval prior to announcements to Bursa Malaysia.

d. Annual Reporting

Reviewed and recommended the Statement on Corporate Governance, Statement on Risk Management and Internal Control and Audit Committee Report for Board's approval before incorporating into the Annual Report.

6. INTERNAL AUDIT FUNCTIONS

The internal audit function is carried out by the Group Internal Audit of Bintulu Port Holdings Berhad. The Group Internal Auditors work independently and are answerable to the Audit Committee.

The Group Internal Audit is also responsible:

- To provide the Audit Committee with independent and objective reports on the state of internal controls, risk management, governance processes and the extent of compliance to the Group's established policies and procedures, and the relevant statutory requirements; and
- To provide reasonable assurance to the Audit Committee and to the Board based on audit findings concerning the effectiveness of risk management, internal controls and governance processes.

A summary of the Group Internal Audit's activities during the financial year are as follows:

- Developed an Annual Audit Plan using risk-based approach for the Group;
- Conducted fifteen (15) audit assignments based on the approved Audit Plan;
- Engaged and assisted the Risk & Management Consultant in conducting one (1) audit assignment on contract management;
- Conducted sixteen (16) follow up audits on corrective actions taken by the Management pertaining to the previous audit findings; and
- The Group Internal Audit also assisted the Committee to review the mitigation actions taken on the risk profiles and ensured the significant risks are addressed.

For the year 2015, the Group Internal Audit managed to perform its responsibilities with independence, proficiency and due professional care so as to give assurance to the Board on the integrity of its internal control and the reliability of the systems as a whole. The cost incurred in running the in-house Group Internal Audit for the financial year 2015 was RM 688,192.70.

AUDIT COMMITTEE REPORT

7. EXTERNAL AUDIT FUNCTION

The External Audit function is to carry out audit works based on the approved Audit Planning Memorandum.

For the year under review, the External Auditor has carried out:

- Auditing on Financial Statements and other issues as per the Audit Planning Memorandum;
- Provided report and made recommendations regarding opportunities for improvement to the significant risk areas, internal control and financial matters based on observations made in the audit works;
- Reviewed the Group Internal Audit assignments and reports in order to avoid duplication of External and Internal Audit works and to ensure proper system of internal control of the Group is in place; and
- Reviewed the Statement on Corporate Governance and Statement on Risk Management and Internal Control for the Group. The details of the Statement on Corporate Governance and Statement on Risk Management and Internal Control can be found from pages 52 to 71 and pages 72 to 79 respectively.

The Audit Committee believed and acknowledged that the engagement of External Auditor and reports given by them for the financial year 2015 have not impaired their independence.

