



# CORPORATE **GOVERNANCE**



# STATEMENT ON CORPORATE GOVERNANCE

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

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 and to enhance the long term value of the Company and its controlled entities (referred to collectively as the Group). 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.

## Statement on Corporate Governance



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 2014 where the principles and the best practices of the Code, in all material aspects, have been adhered to and complied with.

### PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

#### 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 and in the pursuit of the Group's objectives, the Board has assumed the following leadership functions and principal responsibilities:

- i. Establishing and reviewing the goals, the strategic plan, direction and promoting the Company's sustainability;

- ii. Overseeing and evaluating the conduct of the Company's businesses;
- iii. Identifying principal risks and ensure that the risks are properly managed;
- iv. Establishing a succession plan and ensuring the 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;
- v. Developing and implementing investors relations programmes or shareholders communication policy; and
- vi. 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.

Based on the Malaysian Code on Corporate Governance, the Board had established the Audit Committee, Nomination Committee and Remuneration Committee. In addition, the Board had also established the Finance and Investment Committee. These Committees examine 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 68 to 71 of this Annual Report.

#### Board Charter

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

The Board had established clear functions for the Board and Management. Key matters reserved for the Board include the approval of strategic plans, annual operating and capital budgets, quarterly and annual financial statements for announcement and monitoring of financial and operating performance.

The Board Charter (the Charter) clearly spelled out the segregation of the Board and Management roles. The Board recognises the importance of having a single source of reference as recommended by the Code.

The Charter will be reviewed and updated periodically in accordance with the needs of the Company and in compliance to new regulations. The

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Board Charter is available on the Group's website at [www.bintuluport.com.my](http://www.bintuluport.com.my).

### 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:

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

Under this Policy the whistleblower 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 whistleblower having information of improper conducts in the Company may report it to the Head of Group Internal Audit through prescribed channels made available to them. The whistleblower is entitled to be notified within sixty days on the outcome of the investigation.

## Sustainability of Business

While the Group corporate strategies place great importance on business sustainability, the Board is always mindful of environmental and social impact as well as the various interests of the stakeholders and good corporate governance. The Group's Sustainability Report for the year under review is disclosed on pages 77 to 78 of this Annual Report.

### Customers

Guided by the Customers Charter, the Group provides quality port services through continuous engagement with our customers in order to meet their needs and expectations. Annual Customer Satisfaction Survey (CSS) is conducted to gauge the customers' satisfaction against the Key Performance Indicator (KPI) of the Group.

### Supply of and Access to Information

The Board is supplied with relevant information on financial, operational, corporate, regulatory, business development and audit matters by way of Board Reports. These reports are crucial for 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. Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views on specific items. Besides 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. The Board is regularly updated and advised by the Company Secretary in relation to compliance with laws, rules, procedures and regulations affecting the Group.

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The Company Secretary attends all Board and Board Committees meetings and ensures that meetings are properly convened, the resolutions passed and records of the proceedings are properly maintained.

### **PRINCIPLE 2: STRENGTHENING THE BOARD COMPOSITION**

#### **The Composition and Balance of the Board**

The Board consists of eleven (11) members in line with Article 109 of the Company's Article of Association. The minimum number of Directors shall be two (2) and the maximum number shall not be more than twelve (12).

Seven (7) of the Directors are 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 Securities Berhad 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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### THE COMPOSITION OF THE BOARD OF DIRECTORS, BINTULU PORT HOLDINGS BERHAD

Tan Sri Dr. Ali bin Hamsa	Chairman, Non-Independent Non-Executive Director
Dato' Mat Noor bin Nawawi	Non-Independent Non-Executive Director
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani (Appointed on 22/12/2014)	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
Hj. Zakaria bin Kasah	Non-Independent Non-Executive Director
Dato' Seri Dr. Hj. Arshad bin Hashim	Independent Non-Executive Director
Datuk Seri Mohamad Norza bin Zakaria	Independent Non-Executive Director
Datu Hj. Abang Halmi bin Ikhwan (Resigned on 1/1/2015)	Independent Non-Executive Director
Datuk Hj. Hashim bin Ismail (Resigned on 1/1/2015)	Independent Non-Executive Director
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup (Appointed on 1/1/2015)	Independent Non-Executive Director
Dato' Yasmin binti Mahmood (Appointed on 1/1/2015)	Independent Non-Executive Director

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 mixed of skills, knowledge, expertise, experience and other requisite qualities. These qualities include core competencies in finance, business, oil and gas, law, general management and strategies 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 brief profile of each Director is presented in the 'Board of Directors Profile' section found on pages 30 to 42 of this Annual Report.

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 Petroliaam 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.

#### Nomination Committee – Selection and Assessment of Directors

The Nomination Committee was formed pursuant to a resolution of the Board of Directors in its 9<sup>th</sup> meeting held on 25 November 2001 to make recommendations to the Board on suitable candidate for appointment to the Board. The Nomination Committee comprises the following:

- Datu Hj. Abang Halmi bin Ikhwan (Chairman/ Independent Non-Executive Director);
- Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj. Zainuddin (Member/ Non-Independent Non-Executive Director); and
- Datuk Nasarudin bin Md Idris (Member/ Non-Independent Non-Executive Director).

The Terms of Reference of Nomination Committee covers, inter-alia, identify, recommend and nominate suitably qualified candidates in terms of appropriate balance of skills, expertise, experience and core competencies.

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The Nomination Committee evaluates Directors and Senior Management based on their performance on an on-going basis and recommends training, if necessary. The re-election or re-appointment of Directors is based on the evaluation and recommendation by the Nomination Committee.

The Committee is also tasked:

- i. to consider requisite qualities of the Board and to recommend core-competencies for Directors to be appointed to the Board;
- ii. to review and assess the mix of skills and expertise, size and composition of the Board for boardroom diversity;
- iii. to regularly review the effectiveness of the Board, as a whole, and the Board Committees as well as the retirement of Directors by rotation who are eligible for re-election or re-appointment; and
- iv. to consider and recommend Senior Management succession planning.

The Committee assesses the suitability of candidates based on the criteria adopted before recommending to the Board for appointment. Following the appointment of new Directors to the Board, the Committee ensures that an induction programme is arranged, including visits to the Group's business facilities and meetings with Senior Management. This programme will help them understand the nature of the business, the structure and Management of the Group, the corporate strategies as well as the current issues within the Group.

The activities of the Nomination Committee during the financial year under review are as stated on page 69 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.

The 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 Nineteenth (19<sup>th</sup>) 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:
  - i. Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj. Zainuddin  
(Non-Independent Non-Executive Director)
  - ii. Datuk Fong Joo Chung  
(Non-Independent Non-Executive Director)
  - iii. Datuk Nasarudin bin Md Idris  
(Non-Independent Non-Executive Director)
- b. Directors retiring pursuant to Article 132 of the Company's Articles of Association are:
  - i. Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani  
(Non-Independent Non-Executive Director)
  - ii. Dato' Sri Mohamed Khalid bin Yusuf @ Yusup  
(Independent Non-Executive Director)
  - iii. Dato' Yasmin binti Mahmood  
(Independent Non-Executive Director)

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

The Board acknowledges the importance of gender diversity and the Nomination Committee is mindful of this when making recommendation for new appointment. Notwithstanding the challenges in achieving the appropriate level of gender diversity on the Board, priority will be given to the best candidate available. The Board has appointed a lady Director beginning January 2015.

### Directors' Training

The Board via its Nomination 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. Any Director appointed to the Board is required to complete the Mandatory Accreditation Programme (MAP) within four (4) months from the date of appointment.

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During the financial year ended 31 December 2014, some Directors have attended development and training programmes in areas of leadership, corporate governance, finance, taxation, legal and regulatory developments and oil and gas through training programmes 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.

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

Conferences, seminars and training programmes attended by the Directors during the financial year ended 31 December 2014 include the following:

Annual Corporate Governance Summit 2014 – Governance and Regulatory Updates
MISC Berhad - Annual Directors' Training 2014;
Financial Services Act (FSA) 2013 & Islamic Financial Act 2013 (IFSA)
Annual Corporate Governance Summit: Above and Beyond the Call of Duty
LSE Insights: The Financial Crisis & Financial Reforms
AFFIN Investment Conference Series 2014 – Look East Policy 2.0
2014 MASB Roundtable Financial Reporting
Annual Director Duties, Governance and Regulatory Updates Seminar 2014
33rd Management Conference (Plantation Division) - Genting Integrated Biotechnology and Biorefinery
Anti-Money Laundering And Anti-Terrorism Financing Act 2001; Using Risk Management As A Catalyst For Performance; Best Practices In Ensuring Boardroom Effectiveness & Accountability
Khazanah Megatrends Forum 2014 : Scaling the Efficiency Frontier through Institutions, Innovation and Inclusion
26 <sup>th</sup> Genting Malaysia Annual Senior Managers' Conference 2014 - US Gaming Markets and Global Trends
2014 Offshore Technology Conference Asia
Malaysia Institute of Accountant (MIA) Conference 2014
Elements of Statement of Risk Management and Internal Control
Financial Statement Preparation & Analysis
Risk Management & Internal Control – Workshops for Audit Committee Members
Board Chairman Series: The Role of the Chairman

The Company Secretary circulates the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefs the Board quarterly on these updates at Board meetings. The External Auditors also brief the Board members on any changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year. The Directors continue to undergo relevant training programmes to further enhance their skills and knowledge.

### Remuneration Committee – Directors' Remuneration

The Remuneration Committee, established in 2001, is to make recommendations to the Board on the compensation framework for Directors and Senior Management.

During the financial year under review, the Remuneration Committee comprised of the following members:

- Datuk Hj. Hashim bin Ismail (Chairman/ Independent Non-Executive Director);
- Datuk Fong Joo Chung (Member/ Non-Independent Non-Executive Director); and
- Hj. Zakaria bin Kasah (Member/ Non-Independent Non-Executive Director).

The Remuneration Committee was established with specific Terms of Reference and the key responsibilities among others are:

- to ensure that the compensation, salary and benefits of the Group employees are benchmarked with industry standards; and
- to set the appropriate remuneration policy and framework and determine the remuneration packages for Directors to ensure that the Group continues to motivate Directors and retains talent necessary to manage the Group professionally and effectively.

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Non-Executive Directors are paid fixed annual Directors' fees as member 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' remuneration for the financial year ended 31 December 2014 in aggregate, with categorisation into appropriate components is as follows:

	Executive Directors *	Non-Executive Directors*
	RM'000	RM'000
Fees	-	878.258
Meeting Allowance	-	279.500
Benefit in-kind	-	-
<b>Total</b>	-	<b>1,157.758</b>

\* 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 follows:

Ranges of Remuneration (RM)	Executive Directors *	Non-Executive Directors*
1 – 50,000	-	1
50,001 – 100,000	-	1
100,001 – 150,000	-	8
150,001 – 200,000	-	1
<b>Total</b>	-	<b>11</b>

\* Including Directors who have resigned/retired.



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

Directors	Fees (RM'000)	Meeting Allowance (RM'000)	Benefit in-kind (RM'000)	Total (RM'000)
<b>Non-Independent Non-Executive Directors</b>				
Tan Sri Dr. Ali bin Hamsa	120.0	42.0	-	162.0
Dato' Mat Noor bin Nawawi	84.0	13.5	-	97.5
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani (Appointed on 22/12/2014)	2.258	-	-	2.258
Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj. Zainuddin	84.0	25.5	-	109.5
Datuk Fong Joo Chung	84.0	21.0	-	105.0
Datuk Nasarudin bin Md Idris	84.0	23.0	-	107.0
Hj. Zakaria bin Kasah	84.0	22.5	-	106.5
<b>Independent Non-Executive Directors</b>				
Dato' Seri Dr. Hj. Arshad bin Hashim	84.0	40.5	-	124.0
Datuk Seri Mohamad Norza bin Zakaria	84.0	25.5	-	109.5
Datu Hj. Abang Halmi bin Ikhwan (Resigned on 1/1/2015)	84.0	28.5	-	112.5
Datuk Hj. Hashim bin Ismail (Resigned on 1/1/2015)	84.0	37.5	-	121.5
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup (Appointed on 1/1/2015)	-	-	-	-
Dato' Yasmin binti Mahmood (Appointed on 1/1/2015)	-	-	-	-
<b>TOTAL</b>	<b>878.258</b>	<b>279.5</b>	<b>-</b>	<b>1,157.758</b>

Effective from 20 January 2015, the Nomination Committee and Remuneration Committee has been merged and known as Nomination and Remuneration Committee. The Terms of Reference for the combined Board Committees remain unchanged.

The Nomination and Remuneration Committee comprised of the following members:

- Dato' Seri Dr. Hj. Arshad bin Hashim (Chairman/ Independent Non-Executive Director);
- Datuk Fong Joo Chung (Member/ Non-Independent Non-Executive Director); and
- Dato' Sri Mohamed Khalid bin Yusuf @ Yusup (Member/ Independent Non-Executive Director).

### PRINCIPLE 3: REINFORCING THE BOARD'S INDEPENDENCE

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer (CEO).

- The Chairman is responsible for 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 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.

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The Senior 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.

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, providing insights to new Board members.

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.

### PRINCIPLE 4: FOSTERING THE COMMITMENT OF DIRECTORS

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 facilitate the Directors in planning meeting schedule for the year. 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 provides relevant facts and analysis for deliberations of the Board.

During the financial year under review, ten (10) meetings were held and details of attendance of members are as follows:

Directors	No. of Meetings Attended	Percentage of Attendance (%)
Tan Sri Dr. Ali bin Hamsa	10/10	100
Dato' Mat Noor bin Nawi	7/10	70
Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani (Appointed on 22/12/2014)	-*	-*
Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj. Zainuddin	9/10	90
Datuk Fong Joo Chung	9/10	90
Datuk Nasarudin bin Md Idris	8/10	80
Hj. Zakaria bin Kasah	9/10	90
Dato' Seri Dr. Hj. Arshad bin Hashim	10/10	100
Datuk Seri Mohamad Norza bin Zakaria	7/10	70
Datu Hj. Abang Halmi bin Ikhwan (Resigned on 1/1/2015)	10/10	100
Datuk Hj. Hashim bin Ismail (Resigned on 1/1/2015)	9/10	90
Dato' Sri Mohamed Khalid bin Yusuf @ Yusup (Appointed on 1/1/2015)	-*	-*
Dato' Yasmin binti Mahmood (Appointed on 1/1/2015)	-*	-*

\* The last meeting for the year 2014 was on 26 November 2014.

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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### Time Commitment

It is the policy of the Group that Directors devote sufficient time and efforts 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.

The agenda, the relevant reports and Board papers are supplied in advance to allow sufficient time for the Directors and Board Committee members to peruse and prepare for meaningful participation in discussion and making decision during the Board meetings.

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 Report.

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

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance 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.

To assist in the discharge of its duties on financial reporting, the Board has established an Audit Committee, solely comprising of Independent Directors. The composition of the Audit Committee, including its roles and responsibilities are set out on pages 72 to 75 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

is then announced to Bursa Malaysia. The Board, through the Audit Committee, established formal and transparent arrangements with External Auditors in producing accurate financial reports and good internal control mechanisms.

### 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 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 level of effectiveness of the Group's risk management and internal control system.

Details on the Statement on Risk Management and Internal Control is furnished on pages 62 to 67 of this Annual Report.

### PRINCIPLE 7: ENSURING TIMELY AND HIGH QUALITY DISCLOSURE

The Board is guided by the Corporate Disclosure Guide issued by Bursa Securities and adheres strictly to the Bursa Securities' 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 2014, the corporate disclosures 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

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shareholders to review the Group's performance and operations in order to make informed investment decisions.

2014 Quarterly Results	Date of Issue / Release	Number of Days after end of year/Quarter	Bursa Malaysia deadline
1 <sup>st</sup> Quarter	28 May 2014	58	31 May 2014
2 <sup>nd</sup> Quarter	26 August 2014	56	30 August 2014
3 <sup>rd</sup> Quarter	27 November 2014	59	29 November 2014
4 <sup>th</sup> Quarter	16 February 2015	47	27 February 2015

## 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 2014, the Group's interfacing sessions were as follows:

Organisations	Venue	Date
Kenanga Investment Bank Berhad	Prince Hotel, Kuala Lumpur	23 April 2014
RHB Research Institute	Bintulu Port Holdings Berhad Samalaju Industrial Port Sdn. Bhd.	18 June 2014 19 June 2014
Mondrian Investment Partners Ltd	Bintulu Port Holdings Berhad	24 July 2014
AmResearch Sdn Bhd	Bintulu Port Holdings Berhad	11 September 2014
Kenanga Investment Bank Berhad	Samalaju Industrial Port Sdn. Bhd. Bintulu Port Holdings Berhad	18 September 2014
RHB Research Institute	Samalaju Industrial Port Sdn. Bhd.	29 September 2014
Permodalan Nasional Berhad (PNB)	Marriott Hotel, Putrajaya	14 October 2014
Kenanga Investment Bank Berhad	Samalaju Industrial Port Sdn. Bhd.	21 October 2014
Affin Hwang Asset Management	Affin Hwang Asset Management Office, Kuala Lumpur	31 October 2014
Maybank Investment Bank	Bintulu Port Holdings Berhad	14 November 2014
AmResearch Sdn Bhd	Pullman Hotel, Kuching	4 December 2014

## iii) Group's Website and Primary Contact

Apart from providing comprehensive insights into the Group's financial performance through the interfacing sessions, the financial and business performance are also communicated through the Group's website.

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

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

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### PRINCIPLE 8 STRENGTHENING THE RELATIONSHIPS BETWEEN THE COMPANY AND THE SHAREHOLDERS

#### Annual Report and Shareholder Participation at 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 enable shareholders to go through the Annual Report and papers supporting the resolutions proposed.

Shareholders are invited to ask 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. During the AGM, question and answer session is held where the Chairman invites shareholders to raise questions with responses from the Board.

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 last AGM, the CEO has provided shareholders with an overview of the Group's operations and the financial year's performance. The CEO also shared the responses to questions submitted in advance by the Minority Shareholder Watchdog Group (MSWG) and the Group's shareholders namely, Employees Provident Fund (EPF).

#### 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 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.

### 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 2014, there were no new related parties involved with the Group other than the existing ones which comprise the Sarawak State Financial Secretary (SFS) and Petroliam 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 2014 is in the sum of RM7,500.00 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 2014.

#### (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 2014.

#### (v) Details of Attendance at Meetings Held in the Financial Year Ended 31 December 2014

For attendance, please refer to page 57 of this Statement.

## Statement on Corporate Governance

**(vi) Statement by the Board on Compliance**

Throughout the financial year ended 31 December 2014, 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 26 November 2014.

**Tan Sri Dr. Ali bin Hamsa**  
Chairman

**Dato' Seri Dr. Hj. Arshad bin Hashim**  
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)



## Statement on Risk Management & Internal Control

### INTRODUCTION

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.

According to Paragraph 15.26 (b) of the Main Market Listing Requirements and Practice Note 9 of Bursa Malaysia Securities Berhad (Bursa Malaysia), Directors of listed companies are required to include in the Annual Report, the Statement of Risk Management and Internal Control of the Group, taking into account the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. Pursuant to this the Board of Directors is pleased to provide the following Statement of Risk Management and Internal Control for the Group for financial year ended 31 December 2014.

### BOARD'S RESPONSIBILITY

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 2014, the Board had undertaken the following to provide reasonable assurance to further strengthen the Group's internal control system:

- The Group had established the holding-subsidiaries relationship 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 in accomplishing 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 on Provision of Port Services (ISO 9001:2008) by Bureau Veritas Certification (M) Sdn. Bhd.
2. Safety and Environmental Accreditation by Bureau Veritas Certification (M) Sdn. Bhd. for the following:
  - a. Provisions of Port Services (ISO 14001:2004)
  - b. Provisions of Port Services (OHSAS 18001:2007)
  - c. Provisions of Port Services (MS 1722:2011)
3. GMP+B3 (for the trade, collection and storage & transshipment of feeds [fixed scope] and handling

## Statement on Risk Management & Internal Control

of palm kernel related products [free scope] by Bureau Veritas Certification (M) Sdn. Bhd.

4. HACCP Feed Safety Management System for the Cargo Handling Services by Bureau Veritas Certification (M) Sdn. Bhd.
5. Certified Security Management System for Supply Chain (ISO 28000:2007) on Provision of Port Operation Services (Sea Patrol, Control Tower, Pilotage, Tug, Assistance, Mooring Gang, Stevedoring, Warehousing and Security Check – Point) by Bureau Veritas Certification (M) Sdn. Bhd.
6. Statement of Compliance under Section 249K Merchant Shipping Ordinance 1952 (ISPS Code Certification) by Director General of Marine Malaysia
7. Merit Award for the 6<sup>th</sup> Sarawak Chief Minister's Environmental Award (CMEA) 2014.

### 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 Registered Quality Assurance (LRQA)
2. GMP+B3 (2007): Trade, Collection and Storage & Transhipment (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)

### 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 STRUCTURE

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 implementation of the Group's strategies and day-to-day businesses based on the established structure.

### 2. Internal Audit

Paragraph 15.27 of the Main Market Listing Requirements mandates a listed issuer to establish an Internal Audit function which is

## Statement on Risk Management & Internal Control



independent and reports directly to the Audit Committee. The internal control practices are audited in-house by the Group Internal Audit Department to identify any non-compliance elements of the policies, procedures, regulations and standards. Any 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 Department's function, its independence, scope of work and resources.

### 3. Legal

The role of 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 as 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 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 realities to ensure the Group meets its business objectives.

## 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 Board's approval. The Committee is equally accountable for the progress of actions taken to manage and mitigate the risks.

## Statement on Risk Management & Internal Control

2. **Nomination Committee** recommends to the Board any nomination, re-election and composition of the Board. The Committee is also responsible for making recommendation on the appointment of the Chief Executive Officer and Senior Management as well as reviewing Human Resources Policies of the Group.
3. **Remuneration Committee** recommends to the Board remuneration packages for Directors, Chief Executive Officer and Senior Management.
4. **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 make recommendations for the Board's approval.

5. **Other Committees**

In addition to 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.

### 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:

**Chief Executive Officer**

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

**Group Internal Audit**

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

Further details on the Groups' Board Committees are set out on page 68 to 75 of this Annual Report.

### 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 (RPG) 5 issued by the Malaysian Institute of Accountants.

Based on their review for the financial year ended 31 December 2014 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 2014 in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements.

Statement made in accordance with the Board's Resolution dated the 26 November 2014.

**Tan Sri Dr. Ali bin Hamsa**  
Chairman

**Dato' Seri Dr. Hj. Arshad bin Hashim**  
Independent Non-Executive Director

The Board of Bintulu Port Holdings Berhad had set up four (4) 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 namely, the Audit Committee, Nomination Committee, Remuneration Committee and Finance and Investment Committee.

The respective Committees had their own Terms of Reference 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 views on the matters discussed.

The Committees comprised of members from the main Board itself where the Independent and Non-Executive Directors play a leading role in these Committees. Three (3) of the Committees namely Audit Committee, Nomination Committee 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.



# BOARD COMMITTEES REPORT

## 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 2014 are set out on page 72 to 75 of this Annual Report.

## NOMINATION COMMITTEE

The Nomination Committee responsibilities amongst others are to review and recommend to the Board, the appointment and the renewal of the Directors, Chief Executive Officer (CEO) as well as Senior Management. The Committee also assesses the balanced of Independent and Non-Independent Directors sitting on the Board and the Board Committees.

The Nomination Committee also ensures that an orientation and induction programme is in place for new Board members.

The activities undertaken by the Nomination Committee during the financial year ended 31 December 2014 were as follows:

1. Re-election and appointment of Directors;
2. Recruitment of new Directors;
3. Review and renewal of Contract of Service of CEO;
4. Review of Appointment and Promotion Policy for the Group; and
5. Review of General Code of Conduct.

The committee comprises of three (3) Directors, two (2) of whom are Non-Independent Directors. There were three (3) meetings held for the financial year ended 31 December 2014 as follows:

Composition	No. of Meetings Attended	Percentage of Attendance (%)
Datu Hj. Abang Halmi bin Ikhwan (Chairman) Independent Non-Executive Director	3/3	100
Datuk Nasarudin bin Md Idris (Member) Non-Independent Non-Executive Director	3/3	100
Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj. Zainuddin (Member) Non-Independent Non-Executive Director	3/3	100

## REMUNERATION COMMITTEE

The Remuneration Committee's primary responsibility is to establish, review and recommend to the Board the remuneration packages of Chairman, Directors, Chief Executive Officer (CEO), Company Secretary and Senior Management. The Committee also reviews and recommends the Terms and Conditions of Services.

The determination of Directors' fees is a matter deliberated by the Remuneration Committee and approved by the Board as a whole. The Board recommends the remuneration payable to the Directors and any changes thereof the shareholders for approval at the Annual General Meeting.

The key activities undertaken by the Remuneration Committee during the financial year ended 31 December 2014 were as follows:

1. Propose Directors' Fee; and
2. Remuneration packages for CEO.

## Board Committees Report



The Remuneration Committee comprises of three (3) Directors, two (2) of whom are Non-Independent Directors. There were three (3) meetings held for the financial year ended 31 December 2014 as follows:

Composition	No. of Meetings Attended	Percentage of Attendance (%)
Datuk Hj. Hashim bin Ismail (Chairman) Independent Non-Executive Director	3/3	100
Datuk Fong Joo Chung (Member) Non-Independent Non-Executive Director	3/3	100
Hj. Zakaria bin Kasah (Member) Non-Independent Non-Executive Director	2/3	66.7

Effective from 20 January 2015, the Nomination Committee and Remuneration Committee has been merged and is known as the Nomination and Remuneration Committee. The Terms of Reference for the combined Board Committees remain unchanged.

The Nomination and Remuneration Committee comprises of the following members:

- Dato' Seri Dr. Hj. Arshad bin Hashim (Chairman/ Independent Non-Executive Director);
- Datuk Fong Joo Chung (Member/ Non-Independent Non-Executive Director); and
- Dato' Sri Mohamed Khalid bin Yusuf @ Yusup (Member/ Independent Non-Executive Director).

## FINANCE & 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 results for enhancement of profitability.

The key activities undertaken by the Finance and Investment Committee during the financial year ended 31 December 2014 were as follows:

1. Group's Annual Budget;
2. Investment appraisals; and
3. Project financing for the Group's Capital Expenditure.

The committee comprises of five (5) Directors, with majority of three (3) of whom are Non-Independent Directors. There was one (1) meeting held for the financial year ended 31 December 2014 as follows:

Composition	No. of Meetings Attended	Percentage of Attendance (%)
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	1/1	100
Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj. Zainuddin (Member) Non-Independent Non-Executive Director	1/1	100
Datu Hj. Abang Halimi bin Ikhwan (Member) Independent Non-Executive Director	1/1	100
Dato' Seri Dr. Hj. Arshad bin Hashim (Member) Independent Non-Executive Director	1/1	100

Effective from 20 January 2015, the Finance and Investment Committee comprises of the following members:

- Datuk Nasarudin bin Md Idris (Chairman/ Non-Independent Non-Executive Director);
- Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj. Zainuddin (Member/ Non-Independent Non-Executive Director); and
- Dato' Mat Noor bin Nawawi (Member/ Non-Independent Non-Executive Director).

# AUDIT COMMITTEE REPORT

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

## 1. AUDIT COMMITTEE MEMBERS

Chairman
Dato' Seri Dr. Hj. Arshad bin Hashim (Chairman until 19/01/2015) Independent Non-Executive Director
Datuk Seri Mohamad Norza bin Zakaria (Member and appointed as Chairman on 20/01/2015) Independent Non-Executive Director
Members
Datuk Hj. Hashim bin Ismail (Resigned as Director on 1/1/2015) Independent Non-Executive Director
Dato' Yasmin binti Mahmood (Member effective 20/01/2015) Independent Non-Executive Director
Hj. Zakaria bin Kasah (Member effective 20/01/2015) Non-Independent Non-Executive Director

## 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. 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
    - c. Fulfills such other requirements as prescribed or approved by the Exchange.

Datuk Seri Mohamad Norza bin Zakaria meets the specific requirement of Para 15.09 (1) (c) (i), 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 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 action is 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 situation 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 Auditor of the Company;
- x. whether there is reason (supported by 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;
- xii. All business risks and ensure the implementation of appropriate systems to manage these risks by risk owners; and
- xiii. Any other duties as directed by the Board from time to time.

## Audit Committee Report

### 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.

## 4. MEETINGS AND MINUTES

The Audit Committee meets on quarterly basis to carry out its functions. A total of seven (7) Audit Committee meetings were held during the financial year ended 31 December 2014, which are attended by the Audit Committee members, Head of Internal Audit and by invitation, General Manager of Group Finance and related auditees.

Details of the meetings and attendance are as follows:

No. of Meeting	Place of Meeting	Date	Time
1/2014	Marriott Hotel, Putrajaya	27/02/14	2.00 pm
2/2014	Kuala Lumpur Golf and Country Club	26/03/14	2.00 pm
3/2014	Marriott Hotel, Putrajaya	27/05/14	2.00 pm
4/2014	Marriott Hotel, Putrajaya	23/06/14	9.30 am
5/2014	Marriott Hotel, Putrajaya	11/08/14	3.00 pm
6/2014	Marriott Hotel, Putrajaya	22/08/14	3.00 pm
7/2014	Marriott Hotel, Putrajaya	21/11/14	9.00 am

The Company Secretary 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 Audit Committee meetings for financial year ended 31 December 2014 are as follows:-

Name of Directors	No. of Meetings Attended
Dato' Seri Dr. Hj. Arshad bin Hashim	7/7 (100%)
Datuk Hj. Hashim bin Ismail	6/7 (90%)
Datuk Seri Mohamad Norza bin Zakaria	7/7 (100%)

## 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 that is based mainly on risk assessment approach;
- Ensured adequacy of resources and competencies of staff in executing the Audit Plan;
- Reviewed contents of internal audit reports issued by Internal Audit focusing on governance, risk management, operational and compliance processes;
- Reviewed the proposed corrective actions to be implemented by the process owners;
- Reviewed and recommended the Company's Whistleblower Policy for Board's approval; 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 and Audit Planning Memorandum for financial year 2014 and recommended for Board's approval;
- Reviewed the findings from External Auditor Report especially the audited financial statement 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 in the Annual Report.

## 6. INTERNAL AUDIT FUNCTION

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

The 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 the system of internal controls.

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

- Developed an annual audit plan using risk-based approach for the Group;
- Conducted seventeen (17) audit studies based on the approved Audit Plan;
- Engaged and assisted Consultant to conduct two (2) special audit studies;
- Conducted ad-hoc audit as requested by the Audit Committee; and
- Conducted sixteen (16) follow up audits on actions taken by the Management on the previous audit findings.

The Group Internal Audit also assisted the Board in monitoring and implementing the risks management functions of the Group.

For the year 2014, 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 2014 was RM779,849.00.

## 7. EXTERNAL AUDIT FUNCTION

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

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

- Auditing on Financial Statements and other issues as per Audit Memorandum;
- 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 Statement on Corporate Governance and Statement on Risk Management and Internal Control can be found from page 48 to 61 and page 62 to 67 respectively.

The Audit Committee believed and acknowledged that the engagement of External Auditor and reports given by them for the financial year 2014 have not impaired their independence.