

An aerial photograph of a rugged, mountainous landscape. The terrain is characterized by steep, rocky slopes and a winding road that snakes through the valley. A small settlement or village is visible in the lower right quadrant, nestled in a valley. The overall scene is one of a remote, high-altitude environment. The text 'CORPORATE GOVERNANCE' is overlaid in the upper right portion of the image.

# **CORPORATE GOVERNANCE**

# STATEMENT ON CORPORATE GOVERNANCE

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

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 2016 where the principles and the best practices of the Code, in all material aspects, have been complied with.

## 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 there is a proper check and balance in the decision-making process. The Board recognises the importance of the Charter as a single source of reference as recommended by the Code.

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 endorses 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 assumes 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 Group Chief Executive Officer (GCEO), setting and reviewing the GCEO's employment contract as well as evaluating the Key Performance Indicators (KPI) of the GCEO;

- 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 Code, 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 84 to 85 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 has established the Whistleblowing Policy since September 2014. The policy provides an 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 substantial and not frivolous or 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 carries 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 Statement for the year under review is disclosed on pages 90 to 96 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, 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. 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 2016, the Board membership stands at eleven (11) members comprising of seven (7) 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.

Chart 1: BPHB Board Composition

| The Composition of the Board of Directors, Bintulu Port Holdings Berhad             |  |
|---|--|
| <b>Tan Sri Dr. Ali bin Hamsa</b>  | Chairman<br>Non-Independent Non-Executive Director |
| <b>Dato' Siti Zauyah binti Md Desa</b><br><i>(Appointed on 1 June 2016)</i>         | Non-Independent Non-Executive Director             |
| <b>Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani</b>                      | Non-Independent Non-Executive Director             |
| <b>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd. Zahidi bin Hj. Zainuddin (R)</b>      | Non-Independent Non-Executive Director             |
| <b>Datuk Fong Joo Chung</b>   | Non-Independent Non-Executive Director             |
| <b>Datuk Nasarudin bin Md Idris</b>   | Non-Independent Non-Executive Director             |
| <b>Encik Dzafri Sham bin Ahmad</b>  | Non-Independent Non-Executive Director             |
| <b>Dato' Sri Mohamad Norza bin Zakaria</b>  | Independent Non-Executive Director                 |
| <b>Dato' Sri Mohamed Khalid bin Yusuf @ Yusup</b>                                   | Independent Non-Executive Director                 |
| <b>Dato' Yasmin binti Mahmood</b>   | Independent Non-Executive Director                 |
| <b>Datuk Nozirah binti Bahari</b><br><i>(Appointed on 1 February 2016)</i>          | Independent Non-Executive Director                 |
| <b>Dato' Seri Dr. Hj. Arshad bin Hashim</b><br><i>(Resigned on 1 February 2016)</i> | Independent Non-Executive Director                 |

The brief profile of each Director is presented in the 'Board of Directors Profile' section found on pages 38 to 51 of this Annual Report.

The current size and composition of the Board is considered well 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 Code.

The Board also recognises that diversity is not limited to gender representation, but encompasses ethnicity / race, age as well as nationality. With the appointment of Dato' Yasmin binti Mahmood, Datuk Nozirah binti Bahari and Dato' Siti Zauyah binti Md Desa the current Board composition comprises of eight (8) male Directors and three (3) female Directors. The Board is of the view that the current composition will generate positive impact on business 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 (PAB)

The Performance Assessment for Board 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's performance 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 reviewing the results of the Board and Committee assessment, Nomination and Remuneration Committee has identified training for Directors and succession planning for the Group as areas that need improvement.

### Nomination and Remuneration Committee (NRC)

The Nomination and Remuneration Committee comprises of the following members:

- Dato' Sri Mohamed Khalid bin Yusuf @ Yusup (Member and re-designated as Chairman on 1 February 2016; Independent Non-Executive Director);
- Datuk Fong Joo Chung (Member; Non-Independent Non-Executive Director);
- Datuk Nozirah binti Bahari (Member effective 1 February 2016; Independent Non-Executive Director); and
- Dato' Seri Dr. Hj. Arshad bin Hashim (Chairman until 31 January 2016; Independent Non- Executive Director).

The Committee's primary responsibilities include:

- Initiating the process for Board appointments and making recommendations to the Board;
- Assessing Directors' performance through PAB;
- 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, Group 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 Group 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 85 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.

Directors standing for re-election / re-appointment at the forthcoming Twenty-First (21<sup>st</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:
  - Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani  
(Non-Independent Non-Executive)
  - Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Hj. Zainuddin (R)  
(Non-Independent Non-Executive)
  - Datuk Nasarudin bin Md Idris  
(Non-Independent Non-Executive)
- b. Director retiring pursuant to Article 132 of the Company's Articles of Association is:
  - Dato' Siti Zauyah binti Md Desa  
(Non-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.

During the financial year ended 31 December 2016, 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 2016 include the following:

#### Chart 2: Training Programmes Attended by Directors

Independent Director's Program: The Essence of Independence

Risk Management Workshop by IBM

Corporate Governance Statement Workshop: "The Interplay between CG, Non-Financial Information (NFI) and Investment Decisions"

Director's Training - Listing Requirements by Bursa Malaysia; Companies Act 2016; Code of Corporate Governance 2016; Policy Document on Corporate Governance by Bank Negara Malaysia

Corporate Governance Breakfast Series – Thought Leadership Session for Director: "The Cybersecurity Threat and How Boards Should Mitigate Risk."

The New Malaysian Companies Act 2016 by Messrs. Rahmat Lim & Partners

Media Spokesperson & Crisis Management Training

PETRONAS Directors' Training

Advance 2 Directors' Training Program – PETRONAS Board Excellence

35<sup>th</sup> Management Conference (Plantation Division) of Genting Plantations Berhad: "Integrating Innovation, Sustainability and Productivity for Value-Creation"

12<sup>th</sup> Khazanah Global Lecture by Dr. Jane Goodall – Preservation and Awareness for World Environment

MOF Executive Talk: Peranan Jawatankuasa Audit Syarikat Dalam Memastikan Tadbir Urus Syarikat by the Ministry of Finance

International Forum on the World's Economic Outlook: Challenges and Opportunities for Malaysian Companies by Perbadanan Nasional Berhad

Launch of The AGM Guide & CG Breakfast Series 'How to Leverage on AGMs for Better Engagement with Shareholders'

Digital Finance Conference by Securities Commission Malaysia

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.

### Directors' Remuneration

The responsibility of setting appropriate Directors' remuneration framework and packages is under the purview of the NRC. The package has to be attractive enough to ensure that the Group continues to motivate Directors and retain 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 AGM as provided in the Article 110 (1) of the Company's Article of Association.

Directors' remunerations for the financial year ended 31 December 2016 in aggregate and with categorisation are as follows:

**Chart 3: Directors' Remuneration Aggregate**

| COMPANIES                         | FEES   | MEETING ALLOWANCE | BENEFIT-IN-KIND    | TOTAL           |
|-----------------------------------|--------|-------------------|--------------------|-----------------|
|                                   |        |                   |                    | (RM '000)       |
| Bintulu Port Holdings Berhad*     | 925.00 | 259.00            | -                  | 1,184.00        |
| Bintulu Port Sdn Bhd              | 172.80 | 42.00             | -                  | 214.80          |
| Biport Bulkiers Sdn Bhd*          | 172.80 | 23.50             | -                  | 196.30          |
| Samalaju Industrial Port Sdn Bhd* | 252.60 | 58.50             | -                  | 311.10          |
|                                   |        |                   | <b>GRAND TOTAL</b> | <b>1,906.20</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 follow:

**Chart 4: Directors' Remuneration Band\*\***

| COMPANIES                         | RANGE OF REMUNERATION (RM) |                  |                   |                   | TOTAL |
|-----------------------------------|----------------------------|------------------|-------------------|-------------------|-------|
|                                   | 1 – 50,000                 | 50,001 – 100,000 | 100,001 – 150,000 | 150,001 – 200,000 |       |
| Bintulu Port Holdings Berhad*     | 1                          | 2                | 8                 | 1                 | 12    |
| Bintulu Port Sdn Bhd              | -                          | 3                | -                 | -                 | 3     |
| Biport Bulkiers Sdn Bhd*          | 1                          | 3                | -                 | -                 | 4     |
| Samalaju Industrial Port Sdn Bhd* | 1                          | 4                | -                 | -                 | 5     |

\* 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)   |                |                   |                 |                |
| <b>Non-Independent Non-Executive Directors</b>                                 |                |                   |                 |                |
| <b>Tan Sri Dr. Ali bin Hamsa</b><br>(Chairman)                                 | 170.4          | 45.0              | -               | 215.4          |
| <b>Dato' Siti Zauyah binti Md Desa</b><br>(Appointed on 1 June 2016)           | 78.4           | 10.5              | -               | 88.9           |
| <b>Tan Sri Datuk Amar Hj. Mohamad Morshidi bin Abdul Ghani</b>                 | 134.4          | 22.5              | -               | 156.9          |
| <b>Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (R)</b> | 134.4          | 30.0              | -               | 164.4          |
| <b>Datuk Fong Joo Chung</b>  | 156.0          | 46.5              | -               | 202.5          |
| <b>Datuk Nasarudin bin Md Idris</b>  | 156.0          | 35.0              | -               | 191.0          |
| <b>Encik Dzafri Sham bin Ahmad</b>   | 134.4          | 39.0              | -               | 173.4          |
| <b>Independent Non-Executive Directors</b>                                     |                |                   |                 |                |
| <b>Dato' Sri Mohamad Norza bin Zakaria</b>                                     | 134.4          | 44.5              | -               | 178.9          |
| <b>Dato' Sri Mohamed Khalid bin Yusuf @ Yusup</b>                              | 154.2          | 47.5              | -               | 201.7          |
| <b>Dato' Yasmin binti Mahmood</b>  | 134.4          | 25.5              | -               | 159.9          |
| <b>Datuk Nozirah binti Bahari</b><br>(Appointed on 1 February 2016)            | 123.2          | 31.5              | -               | 154.7          |
| <b>Dato' Seri Dr. Hj. Arshad bin Hashim</b><br>(Resigned on 1 February 2016)   | 13.0           | 5.5               | -               | 18.5           |
| <b>GRAND TOTAL</b>   | <b>1,523.2</b> | <b>383.0</b>      | <b>-</b>        | <b>1,906.2</b> |

\*\* including remuneration for all subsidiaries, wherever applicable, pursuant to Chapter 9, Appendix 9C, Para (11)(a) of the MMLR.

### 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 Code, 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 Group Chief Executive Officer (GCEO)**

There is a clear division of responsibilities between the Chairman and the GCEO 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 during Board meetings to ensure that the Directors participate in deliberation and that Board members were given ample opportunity to contribute to the outcomes of the meetings.

#### **The GCEO**

Dato Mior Ahmad Baiti bin Mior Lub Ahmad has been the GCEO of the Group since 1 July 2011. The GCEO is responsible for 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 GCEO in implementing the Group's strategic plans, policies and Board decisions along with overseeing the operations and business developments of the Group. Effective 1 March 2017, Dato Mohammad Medan bin Abdullah will serve as the new GCEO of the Group, succeeding Dato Mior Ahmad Baiti bin Mior Lub Ahmad whose contract of service ended on 28 February 2017.

## **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 provides relevant facts and analysis for deliberations of the Board. During the financial year under review, eleven (11) meetings were held and details of attendance of members are as follows:

**Chart 6: Board Attendance**

| Composition   | No. of Meetings Attended | Percentage of Attendance (%) |
|---|--------------------------|------------------------------|
| Tan Sri Dr. Ali bin Hamsa<br>(Chairman)                                   | 11/11                    | 100                          |
| Dato' Siti Zauyah binti Md Desa<br>(Appointed on 1 June 2016)             | 5/5                      | 100                          |
| Tan Sri Datuk Amar Hj. Mohamad Morshidi<br>bin Abdul Ghani                | 8/11                     | 72.7                         |
| Gen. Dato' Seri DiRaja Tan Sri (Dr.)<br>Mohd Zahidi bin Hj. Zainuddin (R) | 11/11                    | 100                          |
| Datuk Fong Joo Chung  | 11/11                    | 100                          |
| Datuk Nasarudin bin Md Idris  | 10/11                    | 90.9                         |
| Encik Dzafri Sham bin Ahmad   | 10/11                    | 90.9                         |
| Dato' Sri Mohamad Norza bin Zakaria                                       | 10/11                    | 90.9                         |
| Dato' Sri Mohamed Khalid bin Yusuf @ Yusup                                | 11/11                    | 100                          |
| Dato' Yasmin binti Mahmood  | 8/11                     | 72.7                         |
| Datuk Nozirah binti Bahari<br>(Appointed on 1 February 2016)              | 10/10                    | 100                          |
| Dato' Seri Dr. Hj. Arshad bin Hashim<br>(Resigned on 1 February 2016)     | 1/1                      | 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 MMLR (minimum 50% attendance during a financial year).

**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 2016, three (3) resolutions ranging from administrative to operational issues were approved by Directors via DCR.

The agenda for the Board's meetings is set by the Company Secretary in consultation with the Chairman and the GCEO. The agenda together with the relevant reports and Board papers are furnished to the Directors in advance to allow the Directors sufficient time to peruse for effective deliberation 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.

## **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 as well as business 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 activities is set out on pages 86 to 89 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 Malaysian Financial Reporting Standards (MFRS).

Such financial statements comprise of the quarterly financial report as 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 functions are set out on page 89 of this Annual Report.

The Group's financial highlights and indicators for the financial year ended 31 December 2016 are set out on pages 14 to 15 of this Annual Report.

### 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 76 to 82 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 2016, 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 2016 on the following dates:

**Chart 7: Quarter Results Announcement**

| 2016 Quarterly Results  | Date of Issue / Release | Number of Days after end of Quarter | Bursa Malaysia Deadline |
|-------------------------|-------------------------|-------------------------------------|-------------------------|
| 1 <sup>st</sup> Quarter | 26 May 2016             | 56                                  | 31 May 2016             |
| 2 <sup>nd</sup> Quarter | 26 August 2016          | 57                                  | 30 August 2016          |
| 3 <sup>rd</sup> Quarter | 21 November 2016        | 52                                  | 30 November 2016        |
| 4 <sup>th</sup> Quarter | 27 February 2017        | 58                                  | 28 February 2017        |

## 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 2016, the Group's interfacing sessions were as follows:

### Chart 8: Interfacing Sessions

| Organisations                    | Venue  | Date              |
|----------------------------------|--|-------------------|
| Maybank Investment Bank          | Bintulu Port Holdings Berhad                                     | 1 March 2016      |
| J.P. Morgan Chase Bank Berhad    | Samalaju Industrial Port Sdn Bhd                                 | 24 March 2016     |
| Permodalan Nasional Berhad (PNB) | Grand Millenium Hotel Kuala Lumpur                               | 8 September 2016  |
| Kenanga Investment Bank Berhad   | Bintulu Port Holdings Berhad<br>Samalaju Industrial Port Sdn Bhd | 22 September 2016 |
| TA Securities Holdings Berhad    | Bintulu Port Holdings Berhad                                     | 12 October 2016   |
| BIMB Securities Sdn Bhd          | Bintulu Port Holdings Berhad<br>Samalaju Industrial Port Sdn Bhd | 27 October 2016   |
| Maybank Investment Bank          | Grand Millenium Hotel Kuala Lumpur                               | 2 December 2016   |

## 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:

### Group 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 AGM 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 20<sup>th</sup> AGM held on 28 April 2016, the GCEO provided shareholders with an overview of the Group's operations and the financial year's performance. The GCEO 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.

## ADDITIONAL COMPLIANCE INFORMATION

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

### (i) Recurrent Related Party Transactions of a Revenue Nature

As required by the MMLR, Recurrent Related Party Transactions of a revenue nature must be disclosed in the Annual Report. For the year 2016, 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 Fees is provided for under Chapter 9, Item (18) of Appendix 9C of the MMLR. Hence, the Non-Audit Fees 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 2016 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 2016.

### (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 2016.

### (v) Details of Attendance at Meetings Held in the Financial Year Ended 31 December 2016

For attendance, please refer to page 70 of this Statement.

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

Throughout the financial year ended 31 December 2016, the Group had complied with and observed the substantive provisions of the Malaysian Code on Corporate Governance 2012 (MCCG 2012), the relevant Chapters of the MMLR and the Companies Commission of Malaysia's (CCM) requirements.

Statement made in accordance with the Board's Resolution dated 11 January 2017.

**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 on Risk Management & Internal Control is made pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad which requires the Board of Directors of listed companies to include in its Company's Annual Report a statement about the state of its Risk Management and Internal Control for its group of companies.

The following statement outlines the nature and scope of the Group's risk management and internal control in 2016.

## BOARD'S RESPONSIBILITY

The Board of Directors of Bintulu Port Holdings Berhad (the Board) acknowledges the importance of maintaining a sound risk management and internal control system as well as reviewing its adequacy and effectiveness to ensure good corporate governance.

The Board, whilst acknowledging its responsibility, recognises that the risk management and internal control system are designed to manage, rather than eliminate, the risks that may impede the achievement of the Group's business goals and objectives. Therefore, the system can only provide reasonable, but not absolute assurance, against the occurrence of any material misstatement, fraud or losses.

To ensure the adequacy and effectiveness of the Group's risk management and internal control, the Board has maintained full control over strategic, financial, organisational and compliance issues and has put in place the formal lines of responsibility and delegation of authority.

The review of risk management and internal control reports and processes is delegated by the Board to Audit Committee.

As for risk management, the Board has carried out an on-going process of identifying, evaluating as well as deliberating and providing advice on matters pertaining to key corporate risks of the Group, the mitigation measures and its action plans to ensure that key risk areas are managed to achieve the Group's business objectives.

For the financial year ended 31 December 2016, the Board had undertaken the following processes 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 has also performed comprehensive budgeting and forecasting exercises. The actual performance against budget is analysed and reported on a quarterly basis to the Board. Timely corrective actions are then taken.
- Key corporate 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.

- The Code of Conduct is given to all staff upon joining the Group. They are required to strictly adhere to the Code of Conduct in order to ensure high level of discipline and positive attitude while executing their duties. The Code of Conduct is also an integral part of the internal control system. It is the responsibility of all staff to maintain and practice 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 customer's satisfaction. The Management is committed to ensure the strict adherence to the Customer Charter at all levels of operation. For any failure to meet the Customer Charter, the Management carry out service recovery initiatives.
- In recognition of its sound management systems, the Group through its subsidiaries has successfully managed to secure accreditations from various bodies and agencies as follows:

#### **BINTULU PORT HOLDINGS BERHAD**

- a. Certified Information Security Management System in "Operation and Maintenance of Integrated Port Management System (IPMS)" (MS ISO/IEC 27001:2013) by CyberSecurity Malaysia
- b. International Convention on Quality Control Circle 2016, Gold Award in Bangkok Thailand

#### **BINTULU PORT SDN BHD**

- a. Certified Quality Management System in "Provision of Port Services" (ISO 9001:2008) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- b. Certified Environmental Management System in "Provision of Port Services" (ISO 14001:2004) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- c. Certified Occupational Health and Safety Management System in "Provision of Port Services" (OHSAS 18001:2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- d. Certified Malaysia Standards on Occupational Safety and Health Management System in "Provision of Port Services" (MS 1722:2011) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- e. Certified HACCP System and Guidelines for its Application in "Management of Food Hazard Analysis System and Critical Control Point (HACCP) for the Handling of Palm Kernel Related Products" by Bureau Veritas Certification (Malaysia) Sdn Bhd
- f. Certified Security Management System for the Supply Chain in "Provision of Port Operation Services (Sea Patrol, Control Tower, Pilotage, Tug Assistance, Mooring Boat, Mooring Gang, Stevedoring, Warehousing and Security Check - Point)" (ISO 28000:2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- g. Certified in Trade, Collection and Storage & Transshipment "Handling of Palm Kernel Related Products" (GMP+B3 2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- h. Statement of Compliance under Section 249K Merchant Shipping Ordinance 1952 (ISPS Code Certification) by Director General of Marine Malaysia
- i. MSOSHOSH Award 2015, Gold Class 1 (Services Sectors) in Recognition of Very Good Achievement in 2015 OSH

#### **BIPORT BULKERS SDN BHD**

- a. Certified Quality Management System in "Handling and Storage of Edible Oil Products, Crude Oil, Sludge and Edible Oil Based Feed Materials" (ISO 9001:2008) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- b. Certified in Trade, Collection and Storage & Transshipment "Storage of Palm Fatty Acid Distillate and Palm Kernel Fatty Acid Distillate Third Party" (GMP+B3 2007) by Bureau Veritas Certification (Malaysia) Sdn Bhd
- c. Certified HACCP System and Guidelines for its Application in "Handling and Storage of Edible Oil Products, Crude Oil, Sludge and Edible Oil Based Feed Materials" by Bureau Veritas Certification (Malaysia) Sdn Bhd

- d. Certified ISCC EU (International Sustainability and Carbon Certification) for “Individual Warehouse” by SGS Germany GmbH
- e. Certified ISCC PLUS (International Sustainability and Carbon Certification) for “Individual Warehouse” by SGS Germany GmbH

#### **SAMALAJU INDUSTRIAL PORT SDN BHD**

- a. Statement of Compliance under Section 249K Merchant Shipping Ordinance 1952 (ISPS Code Certification) by Director General of Marine

#### **CONTROL ENVIRONMENT AND STRUCTURE**

The Board affirms its overall responsibility for the Group's system of risk management and 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 levels of the Group. The Management is responsible for the implementation of the Group's strategies and day-to-day businesses based on the established structures.

The 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 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 Group 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.

Group Internal Audit complements the role of the Enterprise Risk Management (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 risk identified at every audit engagement.

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

### 3. Legal

The role of Group Legal Counsel 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, new terms of business or changes in existing laws relevant to the Group.

### 4. Policies and Procedures

The Group's policies, procedures and authority limits have been clearly defined and documented through the establishment of the relevant charters, Terms of Reference and organisational structures. Information relating to Financial, 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 of the Group is reported quarterly to comply with the MMLR.

Apart from this, the status of the 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 quarterly basis. Information on the enterprise risk profiles and mitigation strategies 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 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.
2. **Nomination and Remuneration Committee** recommends to the Board any nominations, re-election and composition of the Board. The Committee is also responsible to recommend the appointment of the Chief Executive Officer and Senior Management as well as reviewing Human Resources Policies of the Group. The Committee also recommends to the Board remuneration packages for Directors, Chief Executive Officer and Senior Management.
3. **Finance and Investment Committee** oversees the Group's businesses in respect of the financial affairs, budget, planning, financial risk and control, investment and development proposals and make recommendations for the Board's approval.
4. **Other Committees**

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

- Tender Committee 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 subsidiaries and the Board of the holding company.
- Steering Committee for Privatisation and Extension of Concession Period to prepare the proposal for submission to the relevant authorities;
- Steering Committee for the development of the Group's 5 Year Strategic Plan and its strategic direction;
- Inquiry Committee to identify the cause of accident and suggested preventive measures;
- Talent Committee to identify potential individual for key positions, assess and monitor their development, as well as develop and review Group's Talent Management and Succession Planning policy, procedure and process;
- Project Steering Committee to guide the Management and the Appointed Consultant / Advisors on the development of Samalaju Port including overall monitoring of the said project; and
- Risk Steering Committee at Management Level for monitoring and assessing the tasks specified under action plan in mitigating the corporate risks.

## 5. Enterprise Risk Management (ERM)

Group Corporate Planning and Development oversees the Enterprise Risk Management (ERM) Unit and reports directly to the Group Chief Executive Officer. The Unit, responsible for the overall coordination of the Risk Management of the Group, work closely with Risk Focal Person who undertakes the monitoring and assessing the risks controls in their respective Division and Department.

The Division / Department are responsible for identifying, mitigating and managing risks within their respective areas. At Group Level, a Corporate Risk Profile outlining the significant risks faced by the Group is established and presented to the Board which covers the following:

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

To ensure the mitigation strategies are in place and effectively implemented within the stipulated timeline, the action plans taken and the targeted result are incorporated into the relevant department's Key Performance Indicators (KPI).

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

## 6. 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.

## 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 Internal Audit

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

### Group Corporate Planning and Development

Bintulu Port Holdings Berhad  
Tel : +60 86 291001 (ext.233)  
Fax : +60 86 253263

**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 2016 and up to 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 2016 in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements.

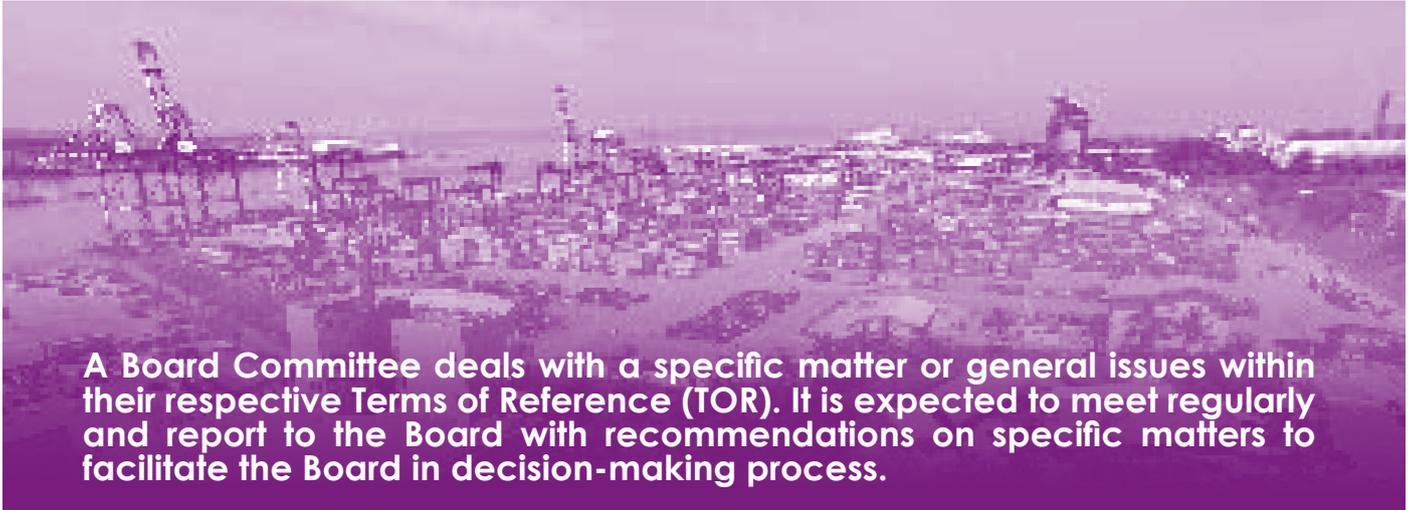
Statement made in accordance with the Board's Resolution dated 11 January 2017.

**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, activities and number of meetings held during the financial year ended 31 December 2016 are presented on pages 86 to 89 of this Annual Report.

## NOMINATION AND REMUNERATION COMMITTEE

The responsibilities of NRC amongst others are:

- a) To review and recommend to the Board, the appointment, extension of service and re-election of the Directors, GCEO 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, GCEO, 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 2016 include the following:

- i. Recruitment, appointment and re-election of Directors;
- ii. Proposal on the Directors' fees and remuneration packages for the Group CEO;
- iii. Appointment of the Company Secretary and Senior Management of the Company and its subsidiaries;
- iv. Review of the Succession Planning of the Senior Management;
- v. Review of the new Organisation Structure for the Group's subsidiary companies; and
- vi. Appointment of the new GCEO

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

Overall, there were seven (7) meetings held for the financial year ended 31 December 2016 as follows:

| Composition   | No. of Meetings Attended | Percentage of Attendance (%) |
|---|--------------------------|------------------------------|
| Dato' Sri Mohamed Khalid bin Yusuf @ Yusup (Chairman)<br><i>(Appointed on 1 February 2016)</i><br><i>Independent Non-Executive Director</i> | 7/7                      | 100                          |
| Datuk Fong Joo Chung (Member)<br><i>Non-Independent Non-Executive Director</i>  | 7/7                      | 100                          |
| Datuk Nozirah binti Bahari (Member)<br><i>(Appointed on 1 February 2016)</i><br><i>Independent Non-Executive Director</i>                   | 5/5                      | 100                          |
| Dato' Seri Dr. Hj. Arshad bin Hashim (Chairman)<br><i>(Resigned on 1 February 2016)</i><br><i>Independent Non-Executive Director</i>        | 2/2                      | 100                          |

## 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.

There was one (1) meeting held for the financial year ended 31 December 2016 as follows:

| Composition  | Attendance of Committee Meetings | Percentage of Attendance (%) |
|--|----------------------------------|------------------------------|
| Datuk Nasarudin bin Md Idris (Chairman)<br><i>Non-Independent Non-Executive Director</i>   | 1                                | 100                          |
| Dato' Siti Zauyah binti Md Desa (Member)<br><i>(Appointed on 1 June 2016)</i><br><i>Non-Independent Non-Executive Director</i>   | 1                                | 100                          |
| Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Hj. Zainuddin (R) (Member)<br><i>Non-Independent Non-Executive Director</i> | 1                                | 100                          |

# AUDIT COMMITTEE REPORT

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

## 1. AUDIT COMMITTEE MEMBERS

### Chairman

**Dato' Sri Mohamad Norza bin Zakaria**

*Independent Non-Executive Director*

### Members

**Dato' Yasmin binti Mahmood**

*Independent Non-Executive Director*

**Encik Dzafri Sham bin Ahmad**

*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. 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.

Dato' Sri 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. MEETINGS AND MINUTES

The Audit Committee shall meet at least four (4) times annually and additional meetings may be called at any time at the Chairman's discretion. Audit Committee meeting comprises of meetings on quarterly results and meetings on audit findings. A total of eight (8) Audit Committee meetings were held during the financial year ended 31 December 2016; four (4) to discuss the quarterly results and the remaining four (4) on management related matters including internal audit findings.

Details of the meetings are as follows:

| No. of Meeting | Place of Meeting         | Date             | Time    |
|----------------|--------------------------|------------------|---------|
| 01/2016        | Putrajaya Marriott Hotel | 13 January 2016  | 3.00 pm |
| 02/2016        | Putrajaya Marriott Hotel | 18 February 2016 | 3.00 pm |
| 03/2016        | Putrajaya Marriott Hotel | 02 March 2016    | 5.00 pm |
| 04/2016        | Putrajaya Marriott Hotel | 23 March 2016    | 3.00 pm |
| 05/2016        | Putrajaya Marriott Hotel | 28 July 2016     | 2.00 pm |
| 06/2016        | Putrajaya Marriott Hotel | 25 August 2016   | 4.00 pm |
| 07/2016        | Putrajaya Marriott Hotel | 18 November 2016 | 5.00 pm |
| 08/2016        | Putrajaya Marriott Hotel | 24 November 2016 | 3.30 pm |

### Attendance at Meetings

The quorum for each meeting shall be two (2) members of the Audit Committee. Attendance of Audit Committee meetings for financial year ended 31 December 2016 are as follows:-

| Name of Directors                              | No. of meetings Attended | Percentage of Attendance (%) |
|--|--------------------------|------------------------------|
| Dato' Sri Mohamad Norza bin Zakaria (Chairman) | 8/8                      | 100                          |
| Dato' Yasmin binti Mahmood                     | 5/8                      | 70                           |
| Encik Dzafri Sham bin Ahmad                    | 7/8                      | 90                           |

The Company Secretary acts as a secretary to the Audit Committee. The Audit Committee meetings is also attended by GCEO, Head of Internal Audit, General Manager of Group Finance and related auditees by invitation.

Minutes of each meeting have been circulated to the Board of Directors for information and perusal. The decision made and actions required were then communicated to relevant process owners.

## 4. 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 2016 and make recommendations 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 make recommendations 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**

The Committee also reviewed the Quarterly and Annual Financial Statements of the Group and make recommendations to the Board for approval prior to announcements to Bursa Malaysia.

**D. Annual Reporting**

The Committee reviewed the Statement on Corporate Governance, Statement on Risk Management and Internal Control and Audit Committee Report and make recommendations for Board's approval before incorporating it in the Annual Report.

**5. 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 are 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 risk management, internal controls and governance processes.

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 fourteen (14) audit studies based on the approved Audit Plan;
- Conducted ten (10) follow up audits on corrective actions taken by the Management pertaining to the previous audit findings;
- Assisted the Committee to review the mitigation actions taken on the risk profiles and ensured the significant risks are addressed; and
- Conducted refresher programme on whistleblower policy for suppliers and vendors.

For the year 2016, 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 2016 was RM 872,404.50.

## 6. 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 the followings:

- Audit on Financial Statements and other issues as per Audit Planning Memorandum;
- Preparation of reports and recommendations regarding opportunities for improvement to the significant risk areas, internal control and financial matters areas based on observations made in the audit works;
- Review of 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
- Review of 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 60 to 75 and page 76 to 82 respectively.

The Audit Committee believed and acknowledged that the engagement of External Auditor and reports given by them for the financial year 2016 have not impaired their independence.



# SUSTAINABILITY STATEMENT

## COMMITTED TO CREATING SUSTAINABLE VALUE

Bintulu Port Holdings Berhad (the Group) is committed to creating long-term value for our stakeholders and to safeguarding the future of the Group by upholding responsible management and sustainable development policies and practices. Towards this end, the diverse business and operational units within the Group continue to work together, tapping each other's strengths and resources to integrate business sustainability into their respective organisations. The Group's firm commitments on sustainable progress is geared towards driving operational excellence to sustain the momentum for the Group's continuous efforts in making improvements to strengthen business efficiency and meeting the expectations of all stakeholders.

## SCOPE AND METHODOLOGY

This Sustainability Statement underscores the Group's initial efforts to align with Bursa Malaysia's sustainability reporting requirements and standards. It showcases the Group's commitment to undertake business in a responsible and sustainable manner through its Economic, Environmental and Societal or EES performance.

This Sustainability Statement highlights the business sustainability activities of specific components of Bintulu Port Holdings Berhad and its key subsidiaries, namely Bintulu Port Sdn Bhd (BPSB), Biport Bulkera Sdn Bhd (BBSB) and Samalaju Industrial Port Sdn Bhd (SIPSB) during the year 2016.

It is to be read in conjunction with the rest of the Group's 2016 Annual Report, which also highlights other financial and non-financial aspects of the Group's business.

## APPROACHING SUSTAINABILITY MATTERS

### Sustainability Governance

The Group's commitment towards sustainable growth is evident throughout all levels of its organisation. At the leadership level, the Board of Directors, Management and all executive staff acknowledge the importance of pursuing an agenda that upholds good EES practices. The Group's leadership is committed to investing in measures that promote the sustainable growth of its businesses, create value for the shareholders and pursuing all those activities expected from a good, responsible corporate citizen.

In carrying out the day to day functions, the employees in the Group are committed to the Group's mission to enhance shareholders' value, satisfaction of all the stakeholders and at the same time, making positive contributions towards the protection of our Environment and strengthening relationship with the local communities.

### Disclosure and External Assurance

The Group will be developing a formal sustainability structure and policy which will incorporate practices and measures that would enable the Group to achieve its sustainability mission as described above.

As this is our first consolidated Sustainability Statement issued pursuant to Practice Note 9, it has not been subjected to external assurance. However, with the view to having future external assurance with regard to the compliance by the Group of its Sustainability Statement, the Management is in the process of streamlining our sustainability data collection and monitoring activities across the Group.

## MATERIAL MATTERS

Whilst the Group has yet to undertake a formal materiality analysis to determine what matters are of importance to our external stakeholders, the Group has identified several risks in key areas that may have a direct or indirect impact on the Group's ability to create, preserve or enhance EES values or deviation therefrom. The Group's risks in key areas, their possible impact on the Group, as well as the related actions to mitigate these risks have been spelt out in the GCEO's Message and Management Discussion & Analysis section of this Annual Report and also identified in the Occupational Health and Safety segment of this Sustainability Statement.

## STAKEHOLDER ENGAGEMENT

The expansion of the Group's port and related business operations is important for the economic development in the hinterland of the Ports under the jurisdiction of the Group. The overall performance of the Group and how its operations are conducted must meet the expectations of all its stakeholders. Therefore, the Group would have to continue engagement with an increasing number of diverse stakeholders. Proactive stakeholder engagement is a fundamental component of the Group's sustainability strategy and the Group is committed to undertaking continuous activities in this area. Through proactive engagement with the many stakeholders, the Group is able to respond to their different expectations, meet their changing needs and strengthen relationship with them.

Stakeholder engagement is largely led by the respective business units whose operations are most impacted by a particular stakeholder group. The Group engages with our stakeholders in a variety of formal and informal settings. The focus areas for engagement with the stakeholders are shown below:

### STAKEHOLDER ENGAGEMENT MATRIX 2016

| GROUP   | SUB-GROUP  | FOCUS AREAS  |
|---|--|--|
| <b>Employees</b>                              | <ul style="list-style-type: none"> <li>• Management</li> <li>• Professional</li> <li>• Technical</li> <li>• Support Group</li> </ul>   | <ul style="list-style-type: none"> <li>• Training and skills development and career development</li> <li>• Greater awareness of health and occupational safety</li> <li>• Participation in CSR activities</li> <li>• Better interaction and communication between the sub groups</li> <li>• Measures aimed at promoting productivity and efficiency</li> </ul> |
| <b>Government/<br/>Regulatory Authorities</b> | <ul style="list-style-type: none"> <li>• Port Authorities</li> <li>• Department of Occupational Safety and Health</li> <li>• Department of Environment</li> <li>• Human Resource Department</li> <li>• Royal Customs Department</li> </ul> | <ul style="list-style-type: none"> <li>• Legal and regulatory compliance</li> <li>• Establishing better communication and rapport with these Authorities</li> </ul>  |

| GROUP                                       | SUB-GROUP   | FOCUS AREAS   |
|---|---|---|
| <b>Customers</b>                            | <ul style="list-style-type: none"> <li>• Port users</li> <li>• Vendors and suppliers of services</li> <li>• Trade and logistic organisations</li> </ul>   | <ul style="list-style-type: none"> <li>• Review of Customer Charter</li> <li>• Survey to obtain feedback on degree of customer satisfaction</li> <li>• Reinforcing existing channels of communication with Customers and their agents</li> <li>• Expeditious response to Customers' complaints and suggestions</li> <li>• Regular consultations and interaction with Customers to seek ways to improve quality of service.</li> </ul> |
| <b>Shareholders / Bankers and Investors</b> | <ul style="list-style-type: none"> <li>• Institutional investors</li> <li>• Public / minority shareholders</li> <li>• Banks and other financial institutions</li> <li>• Fund Managers</li> <li>• Rating Agencies</li> <li>• MSWG</li> </ul> | <ul style="list-style-type: none"> <li>• Enhancing communication and providing information and data on Group Financial performance and business plan</li> <li>• Improving our Annual Report</li> <li>• Regular briefing sessions for fund managers and when necessary to MSWG</li> </ul>  |
| <b>Community</b>                            | <ul style="list-style-type: none"> <li>• Local communities and their organisations</li> <li>• Local charities and welfare bodies</li> <li>• Sports &amp; Recreational Clubs</li> </ul>  | <ul style="list-style-type: none"> <li>• Activities designed for interaction with local communities and organisations as part of the promotion of the Group as a good and responsible corporate citizen</li> <li>• Taking measures to protect the Environment and promoting healthy lifestyle in the community where the Group operates</li> </ul>  |

## MANAGEMENT OF SUSTAINABILITY MATTERS IN 2016

In managing sustainability matters, the Group has during the year 2016, undertaken the followings:

### A. Environmental Monitoring and Auditing Programme

The Group has carried out a programme of environmental monitoring and auditing and would continue to assess the effectiveness of mitigation measures which are in place, to ensure the Environment remains clean and conducive to a healthy lifestyle.

Among the aspects monitored through these programmes are:-

- Water Quality;
- Marine Biology;
- Sediment Quality;
- Air Quality;
- Noise Level;
- Disposal of municipal and scheduled wastes;
- Usage of clean energy for port operations generally;
- Water and energy conservation awareness; and
- 3R Programmes (Reduce, Reuse and Recycle).

**Environmental Management System (EMS 14001)**

The management of the above environmental monitoring programmes has resulted in BPSB achieving ISO14001 certification since 2010. The Group will continue to improve the effectiveness of its Environmental Management System and promoting environmental awareness through the programmes set out above.

Meanwhile in the year 2016, the Group has received the following awards and accolades in recognition of the Group's actions relating to the Environment. Details of these are found on pages 98 to 99 of this Annual Report.

**B. Occupational Health and Safety**

**i. Occupational Safety**

The Group is fully committed to providing a safe and healthy environment for all employees and for all stakeholders to operate in. Health, Safety and Environment (HSE) standards and regulations applicable for the operations in the Group, are based on compliance with regulatory requirements as well as adherence to the Integrated Management System (IMS) Policy which was established in 2014. These include requirements for the safeguarding of health, safety, environment and quality. It also calls for regular reviews of the relevant HSE-related management systems and programmes to ensure continual improvement and adherence to these regulatory requirements.

For occupational safety and health, the base guidelines are OHSAS 18001:2007 and MS 1722:2011. BPSB was certified in 2010 and recertified on March 2016.

Occupational safety focuses on promoting safe working conditions. The Group organises a series of activities regularly to inculcate in the employees an attitude of showing concern for and appreciating the importance of taking measures for the good of their own safety and health. The activities carried out throughout the year of 2016 involved adhering to compliance standards as per IMS. HSE walkabouts and joint inspections with other agencies were conducted to ensure quality and safety standards were being met.

The Group also launched 14 Life Saving Rules (LSR) on 6 September 2016 designed to create a safe working environment among employees as well as port users. LSR is implemented in port operation activities and violating the code is a serious issue that could lead to removal from site and disciplinary actions.



14 Life Saving Rules (LSR)

All machineries and vessels entering Bintulu Port area are required to hold valid certifications of compliance with local or international regulations such as from Department of Safety and Health (DOSH), DOE, International Maritime Organisations (IMO), International Convention for the Prevention of Pollution from Ships (MARPOL 73/78), International Safety Guide for Oil Tankers and Terminals (ISGOTT) and Malaysian Shipping Ordinance (MSO).

The Group has maintained good safety performance records over the past few years. The Group's lost time injury (LTI) frequency rate is acceptable compared with other international and local companies. In year 2016, five (5) LTI cases were recorded throughout the Group, with one (1) fatality case. The fatality case involved a contractor working at height at BPSB in January 2016. The circumstances of the case were thoroughly investigated and resolved. All necessary precautions to prevent exposure to potential hazards or accidents or injuries, have been adequately addressed and put in place.

## ii. Occupational Health

Various programmes have been implemented to ensure that the working environment at the Ports are not hazardous or would not cause injurious effects or damage to the health of the Group's workforce or persons having access to the Group's premises or workplace. These programmes include health and hygiene inspections, medical examinations, health risk assessments, noise assessments, general health awareness promotions and training programmes. Amongst such programmes was the Health Screening and Blood Donation Campaign organised at the Wisma Kontena on 6 September 2016 in conjunction with Bintulu Port Holdings Berhad HSE Day 2016.



As Zika cases in Malaysia were on the rise during 2016, the Group initiated the *Gotong Royong Perdana* on 28 October 2016 which was aimed at cleaning mosquito breeding areas at the Group sites with the motto, "Tiada Aedes, Tiada Zika".

Health hazards may be physical, chemical, biological, ergonomic or psychological in nature. The Group has assessed all possible health risks in the workplace and established control measures where required in order to maintain a healthy work environment. The aim in conducting risk assessments is to ensure that all of the hazards associated with work activities are identified and their associated risks assessed through the following measures:

- Chemical Health Risk Assessment (CHRA);
- Chemical Exposure Monitoring (CEM); and
- Noise Audiometric Testing Programme.

## C. Emergency Preparedness

The Group's emergency management plans are focused on prevention, preparedness, response and recovery when an emergency situation occurs. The Group uses a three (3) tiered approach to emergency management with processes and tools to effectively manage emergency response, business continuity and crisis management efforts.

The Group maintains and will continue to maintain and update emergency notification procedures, and assemble emergency teams, conducts drills and maintains relationships with organisations that provide emergency response support and advice.

#### D. Talent Retention, Training and Development

The Group is committed to attract talents having appropriate competencies, experience and qualifications. Towards retention of talents, the Group provides ample opportunities for career progression. Training and development opportunities for all staff involve the sharpening of skills, motivational level and exposure to new concepts of management, leadership, acquisition of knowledge and new technologies.

A variety of training and development programmes were conducted in 2016 to cater for different employees' needs and operational requirements. For the year 2016, the Group invested RM2.5 million for this purpose and also organised mandatory and functional courses internally and externally as follows:

| NUMBER OF COURSES 2016 (MANDATORY & NON-MANDATORY) |                   |                     |                       |                     |                           |
|--|-------------------|---------------------|-----------------------|---------------------|---------------------------|
| MONTH  | MANDATORY COURSES | NO. OF PARTICIPANTS | NON-MANDATORY COURSES | NO. OF PARTICIPANTS | TOTAL NO. OF PARTICIPANTS |
| JANUARY  | 8                 | 77                  | 4                     | 9                   | 86                        |
| FEBRUARY   | 6                 | 59                  | 8                     | 36                  | 95                        |
| MARCH  | 4                 | 105                 | 11                    | 122                 | 227                       |
| APRIL  | 6                 | 36                  | 23                    | 153                 | 189                       |
| MAY  | 6                 | 50                  | 27                    | 206                 | 256                       |
| JUNE   | 6                 | 40                  | 7                     | 13                  | 53                        |
| JULY   | 10                | 278                 | 7                     | 106                 | 384                       |
| AUGUST   | 7                 | 36                  | 17                    | 102                 | 138                       |
| SEPTEMBER  | 7                 | 58                  | 14                    | 62                  | 120                       |
| OCTOBER  | 15                | 184                 | 17                    | 125                 | 309                       |
| NOVEMBER   | 12                | 116                 | 18                    | 158                 | 274                       |
| DECEMBER   | 4                 | 27                  | 8                     | 47                  | 74                        |
| TOTAL  | 91                | 1,066               | 161                   | 1,139               | 2,205                     |

#### E. Succession Planning

Towards ensuring the continuity of attaining operational efficiency, expansion of its business operation and enhancement of shareholder value, the Group has already embarked on developing a succession planning programme since 2016. This includes a Talent Management Programme whose objective is to identify and develop current managers to take on Senior Management roles and grow the talent pool.

## F. Community Engagement Initiatives

For year 2016, the Group undertook several community enrichment activities. The examples of these activities can be found under Corporate Activities 2016 section on pages 100 to 104 of this Annual report.

## G. Customer Satisfaction Index (CSI)

Bintulu Port has been monitoring the progress of its customer satisfaction level annually through our Customer Satisfaction Index (CSI). The CSI has become one of main KPI measures for the Group. In November 2016, an annual customer satisfaction survey was carried out among internal and external customers in order to improve service quality and take corrective measures on any shortfall. In an effort to gain a better understanding of and attain a better customer satisfaction level, the Group also conducted Customer Focused Group sessions with selected industries or sectors. These sessions serve as a useful platform for our customers to share their thoughts, views and experiences about our port services. The Group has a good understanding of customers' expectations and ensures that all feedbacks from Customers on the services and facilities of the Group are carefully analysed for suitable follow up actions to remedy any shortcomings disclosed.

## H. Commitment to Quality

The Group's operating companies are committed to continually improve their management systems and to implement various quality activities to ensure they remain at the leading edge of their respective fields. The listing of quality certifications for the Group's various subsidiaries can be found on pages 98 to 99 of this Annual Report.

## TOWARDS A SUSTAINABLE FUTURE

As a good corporate citizen, the Group is genuinely committed to balancing our good Economic performance with responsible Environmental and Social considerations. Even as the Group sets our sights on delivering a sustainable performance on the EES fronts, the Group will endeavour to ensure that the notion of sustainability becomes embedded within our organisation as an important corporate culture. As the Group ventures forth in its undertakings, the Group will endeavour to deliver true and sustainable value as well as establish long-term relationships with our many stakeholders so that the Group is recognised as a model for responsible corporate behaviour.

Statement made in accordance with the Board's Resolution dated 9 March 2017.

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

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