

CORPORATE GOVERNANCE REPORT

STOCK CODE : 4596
COMPANY NAME : SAPURA RESOURCES BERHAD
FINANCIAL YEAR : January 31, 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board provides overall strategic direction and effective control of the Group and has established clear functions reserved for the Board and those delegated to Management by establishing a Board Charter to provide guidance and clarity for Directors and Management with regard to the roles of the Board, the Board Committees as well as those of Management.</p> <p>The Board had delegated specified matters to the Board Committees to oversee critical or major functional areas and to address matters which require detailed review or in-depth consideration. The Board is assisted by two (2) Governance Committees which are the Board Audit and Risk Committee (“BARC”) and the Board Nomination and Remuneration Committee (“BNRC”). The Terms of Reference (“TOR”) of the respective Board Committees are available on the Company's website at www.sapura-resources.com.</p> <p>The formal schedule of matters reserved for the Board has been duly stipulated in the Board Charter to ensure the direction and control of the Group's business are in its hands, whilst a capable and experienced Management team is put in charge to undertake the day-to-day operations of the Group.</p> <p>A copy of the Board Charter of the Company is available for viewing on the Company's corporate website at www.sapura-resources.com.</p>

The duties and responsibilities of the Board broadly covers the following:-

i) Promote good corporate governance culture within the Company which reinforces ethical, prudent and professional behaviour.

The Group has in place policies which promote good corporate governance culture. Such policies include the Code of Conduct and Ethics for Directors, Whistleblowing Policy and Anti-Bribery and Corruption Policy which was newly adopted on 28 November 2019.

ii) Review and adopt a strategic plan for the Company

The Board undertakes an active role in the development of the Company's strategies and business plan by reviewing, discussing at length, and approving Management's proposal on strategic business plan for the Company when the same is presented by the Management.

The Board comprises highly respectable and professional persons and represents a diverse background of insights, knowledge, expertise and experience. Hence, with their combined experience and knowledge, they provide sound advice and judgement for the benefit of the Company and its shareholders to achieve its business goals and objectives.

The Board as a whole is able to bring about objective judgement and advice, drawing from their respective knowledge, expertise and experience, together to ensure that the Management has taken into account all appropriate considerations in establishing strategic business plans for the Company.

The Board reviews, discusses thoroughly and approves the budget for the ensuing financial year at Board meeting every year.

iii) Oversee the conduct of the Company's business

The Board oversees the performance of Management in determining whether the business is being properly managed. The Managing Director ("MD") of the Company is tasked with the responsibility to keep the Board informed on all matters which may materially affect the Company and its business.

The MD is assisted by a team of senior personnel (collectively referred to as "Key Management Team") in ensuring that the two (2) core businesses of the Company (i.e., property and aviation) are well managed.

	<p>iv) Identify principal risks and ensure implementation of appropriate internal controls and mitigation measures</p> <p>The Board recognises the importance of managing risks and thus has put in place a sound system of internal controls which cover risk management, financial, organisational, and operational and compliance controls.</p> <p>The internal audit function of the Group is carried out by an outsourced professional service firm namely KPMG Management & Risk Consulting Sdn. Bhd. (“KPMG”) that assists the BARC and the Board in maintaining the internal control system and governance processes of the Group. The BARC assists the Board in overseeing this function.</p> <p>The BARC also assists the Board in overseeing the risk management function to ensure relevant mitigation measures within the Group are in accordance with the BARC’s TOR. The BARC is assisted by the Management Risk Committee and a risk report is tabled to the BARC at every quarterly meeting.</p> <p>v) Review the adequacy and integrity of the management information and internal controls system of the Company</p> <p>The Board acknowledges its responsibility and accountability for reviewing the adequacy and integrity of the management information and internal controls systems. Information on the Company’s internal control system is presented in the Statement on Risk Management and Internal Control of the Annual Report 2020.</p> <p>vi) Ensure the integrity of the Company’s financial and non-financial reporting.</p> <p>The Board is assisted by the BARC in ensuring the Group’s financial reporting processes are effective and the quality of the financial reporting is of high standard and comply with the relevant Financial Reporting Standards. During the FYE 2020, the BARC reviewed the quarterly financial reports which were presented by the Acting Chief Financial Officer prior to recommending them for approval by the Board and issuance to the Bursa Securities. The Directors have also given assurance that the financial statements prepared for the financial year under review give a true and fair view of the state of affairs of the Group as at the end of the financial year.</p>
<p>Explanation for departure :</p>	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The key roles and responsibilities of the Chairman of the Board have been clearly specified in Section (C), Clause 5 of the Board Charter, which is available on the Company's corporate website at www.sapura-resources.com.</p> <p>The Board is chaired by an Independent Non-Executive Director ("INED") namely, Tan Sri Datuk Amar (Dr.) Hamid bin Bugo. The Chairman provides strong leadership to the Board and is able to provide effective strategic direction and governance to the Group.</p> <p>The Chairman is responsible for providing a leadership role in his conduct to the Board, controls the orderly and effective functioning of the Board, ensures that the integrity and effectiveness of the governance processes of the Board are maintained and consults with the Board promptly over any matter that is pertinent to the Company and of concern to the Company.</p> <p>The Chairman acts as facilitator at meetings of the Board and ensures that no Board Member, whether executive or non-executive, dominates the discussion. The Chairman also ensures that decisions are taken and made on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of the Chairman and the MD of the Group are held by two (2) different individuals namely, Tan Sri Datuk Amar (Dr.) Hamid bin Bugo and Dato' Shahrman bin Shamsuddin respectively.</p> <p>The roles of the Chairman of the Board and the MD of the Company are separate and each has a clear accepted division of responsibilities to ensure that there is a balance of power and authority to promote accountability.</p> <p>Section (C), Clause 5 and Section (E) Clause 2 of the Board Charter have clearly outlined the role of the Chairman and the role of the MD to ensure that no one individual has unfettered powers of decision-making. The Board Charter is available on the Company's corporate website at www.sapura-resources.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretaries of the Company are Chua Siew Chuan and Yau Jye Yee. Both the Company Secretaries of Sapura Resources Berhad (“SRB”) have professional qualifications and are qualified company secretaries under Section 235(2) of the Companies Act 2016 registered with the Companies Commission of Malaysia. Chua Siew Chuan is a Fellow member of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) whilst Yau Jye Yee is an Associate member of the MAICSA.</p> <p>The responsibilities carried out by the Company Secretaries include:-</p> <ul style="list-style-type: none">• Preparation and submission of returns and/or forms under the Companies Act 2016 to the Companies Commission of Malaysia;• Proper maintenance of statutory records;• Transmission/submission of corporate announcements to the Bursa Securities electronically via Bursa LINK;• Drafting all necessary notices, Directors’ resolutions, minutes of Board meetings and shareholders’ meetings and relevant documents under the direction and instruction of the Board;• Attendance at Annual General Meeting (“AGM”) and Extraordinary General Meeting of shareholders;• Attendance at meetings of the Board, the BARC and the BNRC;• Preparation of Board papers and meeting materials for Board and Board Committees’ meetings or any other meetings, if required; and• Advising the Company and/or Directors on matters pertaining to the statutory requirements prescribed under the various statutes, in particular, the Companies Act 2016, the Listing Requirements of Bursa Securities the Malaysian Code on Corporate Governance and in general, such other matters relating to secretarial practice.
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>Annual meeting timetable is prepared and circulated in advance before the starting of a new financial year in order to facilitate the Directors' time planning. The annual meeting timetable provides the Directors with scheduled dates for the whole year meetings of the Board, the Board Committees and the AGM.</p> <p>All Board members are supplied with information on a timely manner. The agenda of the Board/Board Committees Meetings is consulted with the respective Chairman of Board Committees and the MD of the Company for confirmation. The due notice of at least seven (7) days is given to the Directors which allow the Directors to plan ahead and devote time to maximise their participation.</p> <p>Meeting papers are circulated at least five (5) business days prior to the meetings and the meeting papers provide amongst others, financial and corporate information, significant financial and corporate issues, the Group's financial and business performance and any management proposals which require the approval of the Board/Board Committees. This is to ensure that the Board/Board Committees are given sufficient time and information to make an informed decision, and to provide time and opportunity for the members of the Board/Board Committees to ask questions and have those questions answered at each meeting.</p> <p>The Board has direct access to the Management and unrestricted access to all information and affairs relating to the Company and its Group in discharging its duties.</p> <p>Minutes of the Board or Board Committees' Meetings which include a record of the decisions and resolutions of the meetings would be distributed by the Company Secretaries to all Directors on a timely manner for review and thereafter for confirmation at the next Board or Board Committee Meeting. Action items identified during Board/Board Committee Meetings are highlighted for status report and follow-up action by Management in a Matters Arising Report. The signed Board/Board Committees Minutes are enclosed into the Minutes Books kept at the registered office of the Company.</p>

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

Intended Outcome

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

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter serves as a source of reference to the Board for matters relating to the Board's organisation. It also provides guidance to the Board members to assist them in performing their duties, roles and responsibilities as Directors of SRB. It will also assist the Board in the assessment of its own performance and of its individual Directors.</p> <p>The Board reviews the Board Charter from time to time and make any necessary amendments as and when necessary to ensure they remain consistent with the Board's objectives, current law and practices. The Board Charter is available on SRB's corporate website at www.sapura-resources.com.</p> <p>The roles and responsibilities of the Board of Directors, Senior Independent Non-Executive Director, Chairman, MD and Board Committees are clearly outlined in the Board Charter.</p> <p>In addition, the matters reserved for the Board is set out in Section B of the Board Charter.</p> <p>Apart from the above, the Board Charter also outlines the Board structure and procedures, relationship of the Board with Management, remuneration of the Board, assessment of the Board and relationship and communication between the Board and shareholders, institutional investors, press, customers and etc.</p> <p>In order to ensure continuing education for the Board to enhance their knowledge and skills for better Board participation during meetings, the Board members had attended the following conference /seminar /forum /discussion /workshop /training during the financial year:</p>

Name of Directors	Conference / Seminar / Forum / Discussion / Workshop / Training	Date
Tan Sri Datuk Amar (Dr.) Hamid bin Bugo	1. 7 th Asia Insurance Brokers' Summit	5 March 2019
	2. National Integrity Plan by Dr Mohd Nizam Mohd Ali	8 April 2019
	3. Together for SDGs: Financing the SDGs: Malaysian Private Sector Role in Bridging the Gap from Goals to Actions	11 September 2019
	4. Learning from Plants for Green Engineering by Professor Ille Gebeshuber	20 September 2019
	5. The Spirit of the Malaysia Agreement 1963 (MA63) in Our Constitution by Emeritus Professor Datuk Dr Shad Saleem Faruqi	8 October 2019
	6. Mastering Principles of Defend Taxation: From Fundamental to Complex Transactions of Events	7 – 8 November 2019
	7. Corporate Liability Talk	28 November 2019
Tan Sri Dato' Seri Shahril bin Shamsuddin	1. PNB Leadership Forum 2019	25 June 2019
	2. Malaysian Financial Reporting Standards ("MFRS") 16 Workshop	27 June 2019
	3. PNB Corporate Summit 2019	30 October 2019
Dato' Shahrman bin Shamsuddin	1. Staying Ahead – How Much is A Director Responsible For	29 January 2019
	2. 20 th Asia Oil & Gas Conference	23 - 25 June 2019
	3. Corporate Liability Talk	28 November 2019

Dato' Muthanna bin Abdullah	1. Focus Group Discussion (in preparation for the 6 th BNM-FIDE Forum Annual Dialogue with the Senior Management of BNM)	7 March 2019	
	2. ICDM Programme – PowerTalk No. 3 on Revisiting the Misconception of Board Remuneration	13 March 2019	
	3. Reading the Signs: The next Financial Crisis and its potential impact of Asia	14 March 2019	
	4. Audit Committee Institute Breakfast Roundtable 2019	3 April 2019	
	5. The Role of Audit Committees in Ensuring Organisational Integrity, Risk and Governance	9 – 10 April 2019	
	6. Audit Committee Conference 2019	15 April 2019	
	7. IT Risk Management Training	4 July 2019	
	8. 2 nd PIDM-FIDE Forum Annual Dialogue with the CEO of PIDM	12 July 2019	
	9. Half-Day Seminar on Assessment of the Board, Board Committees and Individual Directors	14 August 2019	
	10. Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees	8 November 2019	
Dato' Fuziah @ Fauziah binti Dato' Ismail	1. Breakfast Talk on Sustainability and Business	21 March 2019	
	2. Audit Committee Institute Breakfast Roundtable 2019	3 April 2019	
	3. Corporate Liability Talk	28 November	

			2019
	Encik Ahmad Jauhari bin Yahya	1. MIDF Green Conference	21 March 2019
		2. Directors' Duties and Responsibilities	28 May 2019
		3. Forum "Reimagining Malaysia Electricity Supply Industry (MESI)	19 – 20 August 2019
		4. Khazanah Megatrends Forum 2019	7 – 8 October 2019
		5. Corporate Liability for Corruption Offences, Adequate Procedures and ISO 37001	22 October 2019
	Mr. Andrew Heng	1. Thought Leadership Lecture – Leading with Ethics	25 July 2019
		2. MFRS 16 Leases and Town Hall 2019	2 August 2019
		3. CPA Congress 2019	24 September 2019
		4. IVAS – IVSC Business Valuation Conference 2019	10 – 11 October 2019
		5. World Conference "One Vision One Direction", Singapore (Audit)/(Plenary)	18 – 22 October 2019
		6. Introduction to Corporate Directorship	14 – 15 November 2019
Explanation for departure :			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognised that it is important that there exists a level of acceptable corporate behaviour in order to uphold corporate integrity. As such, the Board has formalised ethical standards of corporate governance and corporate conduct and behaviour by adopting a Code of Conduct and Ethics for Directors ("the Code"). The Code is available on SRB's corporate website at www.sapura-resources.com.</p> <p>The Code shall be reviewed by the Board of SRB periodically and when internal or external events warrant a more frequent review to be undertaken and make such amendments to the Code as the Board may deems to appropriate.</p> <p>The key features of the Code comprise the following:-</p> <ul style="list-style-type: none"> (i) Compliance with laws, rules and regulations; (ii) Conflict of interest; (iii) Anti-Corruption/Bribes; (iv) Company assets; (v) Confidentiality; (vi) Insider trading; (vii) Fair dealing and anti-competition; (viii) Reporting violations of the Code; and (ix) Enforcement of the Code.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

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

×Practice 3.2

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing and anti-bribery and corruption.

Application	:	Applied
Explanation on application of the practice	:	<p>1) A Whistleblowing Policy</p> <p>A Whistleblowing Policy (“the WB Policy”) was implemented by the Company since 23 March 2018. The WB Policy is to encourage transparent and ethical conduct in the Company.</p> <p>The objectives of the WB Policy are to facilitate the whistleblower to report through appropriate communication and feedback channels about any improper conducts or wrongdoings they may observe in the Group without fear of retaliation and in doing so they should act in good faith when reporting such concerns. The WB Policy is to assure the whistleblowers that they will be protected from reprisals, discrimination or victimisation.</p> <p>The WB Policy does not apply to grievances concerning an individual’s terms of employment, performance or personal grievances. Should it be determined during initial investigation that the matter disclosed does not fall within the scope of the WB Policy, such matter will be transferred to the relevant department for appropriate procedures and actions to be taken.</p> <p>Only genuine concerns should be reported under the whistleblowing procedures. The report should be made in good faith with a reasonable belief that the information and any allegations made are substantially true and the report is not made for personal gain. Malicious and false allegations will be viewed seriously and treated as a gross misconduct and if proven may lead to dismissal.</p> <p>Any report under the WB policy can be made to the WB committee or to the ChairmanBARCSRB@sapura.com.my or to SeniorIndependentDirectorSRB@sapura.com.my</p> <p>The WB Policy will be reviewed by the Board annually or on an ad-hoc basis to assess its relevance and effectiveness.</p> <p>The WB Policy is available on SRB’s corporate website at www.sapura-resources.com.</p>

	<p>2) Anti-Bribery and Corruption Policy</p> <p>The Anti-Bribery and Corruption Policy (“the ABC Policy”) was implemented by the Company since 28 November 2019. The ABC Policy is to show the Company’s stance on zero tolerance on bribery and corruption and that the Company is committed to the highest standards of ethical conduct and integrity in business activities.</p> <p>The scope of this ABC policy applies to the Company and all its subsidiaries. It is applicable to all directors, officers and employees (whether permanent, contract or temporary) of the Company and its subsidiaries. The Company also expects that third parties that have dealings with SRB such as agents, distributors, representatives, contractor, sub-contractors, suppliers, vendors, consultants, customers and others who perform work or services for and on behalf of the Company will comply with the relevant parts of this ABC policy when performing such work or services.</p> <p>The purpose of the ABC Policy is to set out the Company’s responsibilities including the employees, officers and directors to observe and uphold the Company’s stance on zero-tolerance to bribery and corruption. The ABC Policy will provide information and guidance on how the Company expects the employees to conduct themselves, recognise bribery and corruption and to set out the procedure on how to raise concerns on breached of the ABC Policy without fear of reprisal.</p> <p>Any report on the breach of the ABC Policy can be made at SRBethicsline@sapura.com.my.</p> <p>The ABC Policy will be reviewed by the Board annually or on an ad-hoc basis to assess its relevance and effectiveness.</p> <p>The ABC Policy is available on SRB’s corporate website at www.sapura-resources.com.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company is encouraging objective and independent deliberation review and decision-making.</p> <p>Currently, the Board comprises seven (7) Directors, of which five (5) are INED, one (1) Non-Independent Non-Executive Director and one (1) Managing Director. This is in compliance with Paragraph 15.02(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Securities which states that at least two (2) directors or one-third (1/3) of the Board of Directors of a listed issuer, whichever is the higher, are independent directors.</p> <p>Pursuant to the definition of independence under the MMLR of Bursa Securities, all of the five (5) Independent Directors have satisfied their independence in the yearly assessment of the Independent Directors for the financial year ended 31 January 2020 (“FYE 2020”).</p> <p>The Independent Directors bring independent views to Board deliberation to ensure decisions are made objectively in the best interest of the Company.</p> <p>Majority of the Board consists of INEDs.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>As disclosed in the Board Charter, the tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process at a general meeting.</p> <p>The Company will be seeking shareholders' approval at the forthcoming AGM for the following two (2) INEDs:-</p> <ul style="list-style-type: none">(i) Dato' Muthanna Bin Abdullah who will reach the twelve (12)-year term limit on 18 December 2020; and(ii) Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo who has served the Board for more than nine (9) years as an INED since 25 August 2009. <p>The Board through the BNRC has undertaken relevant assessments and recommended that the two (2) INEDs be retained as independent directors of the Company as they continue to bring independent and objective judgement to Board deliberations based on the following justifications:-</p> <ul style="list-style-type: none">(1) They have met the criteria set in the annual assessment of their independence in line with the MMLR of Bursa Securities;(2) Both of them have vast experience, knowledge and skills in a diverse range of businesses and therefore provide constructive opinion, counsel, oversight and guidance as Directors;(3) Their financial management, accounting and legal background have provided support to enable the Board to discharge its

	<p>duties effectively and in a competent manner;</p> <p>(4) Both of them actively participate and contribute to the discussion and deliberation of the Board and Board Committees. They have diligently attended all of the meetings held for the Board and Board Committees for the FYE 2020; and</p> <p>(5) They have exercised due care and diligence and acted in the best interest of the Company by providing independent views to the deliberations and decision making of the Board and Board Committees' Meetings.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 4.4

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

Application	: Applied
Explanation on application of the practice	<p>The BNRC is entrusted by the Board to make recommendations for the appointment of Directors to the Board including the election/re-election of retiring Directors at the AGM.</p> <p>In making recommendation of suitable candidates, the BNRC considers the following criteria:-</p> <ul style="list-style-type: none"> • skills, knowledge and expertise, experience; • time commitment and contribution; • honesty, integrity, professional conduct and business ethics/practices; • specialised knowledge in line with the Company’s strategy; • number of directorships in other companies and other external obligations which may affect his/her commitment; and • diversity including gender diversity. <p>The Company practices a clear and transparent nomination process in relation to the appointment of Directors. The process is as follows:-</p> <p>Stage 1 - Identify the vacancy/gaps Stage 2 - Identify the candidates Stage 3 - Evaluation of suitability of candidates Stage 4 - Meeting up with the shortlisted candidates Stage 5 - Final deliberation by the BNRC Stage 6 - Recommend to the Board</p> <p>For the position of INEDs, the BNRC shall evaluate the candidate, at a minimum, with reference to the definition of “Independent Director” as stipulated by the MMLR of Bursa Securities.</p> <p>While the Board supports gender diversity and recognises the multiplicity of perspectives and enhanced collaborations that it brings, the Board believes that any new appointment should be based on merits and capability.</p> <p>The appointment of Senior Management is based on skills, knowledge and experience, personal behaviours and motivation. The appointment of Senior Management will also be tabled to the BNRC for review and approval.</p>

The Board pursues diversity in both the Board level and Senior Management level. The Board recognises a diverse Board in the Company could offer greater depth and breadth compared to non-diverse Board whilst the diversity at Senior Management will lead to better decisions.

The Board had established a Board Diversity Policy to ensure that a number of aspects such as professional experience, skills, knowledge, gender, educational background, ethnicity and age are considered in designing the Board's composition. The Board Diversity Policy is available on the Company's corporate website at www.sapura-resources.com.

The Board and Senior Management were appointed from a diverse pool in terms of age, gender and nationality. The Profile of the Directors and the Key Senior Management are presented in the Annual Report 2020.

The Board is supportive of gender diversity in the Board composition. Currently, Dato' Fuziah @ Fauziah binti Dato' Ismail is the only female Director in the Company. The Company recognised the importance of having women on Board to promote constructive debates and better decision making.

The Board also views that the workplace and Board diversity are important to facilitate the decision-making process by harnessing different insights and perspectives. The current diversity in gender, ethnicity and age of the Board and the Key Senior Management of the Company are as follows:

		Directors	Key Senior Management (excluding the MD)
Race/Ethnicity	Malay	6	5
	Chinese	1	0
	Indian	0	0
Age Group	30 to 40	0	0
	41 to 50	1	5
	51 to 60	3	0
	61 to 70	1	0
	Above 70	2	0
Gender	Male	6	4
	Female	1	1

Please refer to the Annual Report 2020 in respect of the Profile of Directors and the Profile of the Key Senior Management on pages 31 to 33 for further information.

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

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supportive of gender boardroom diversity as stated in the Board Charter and the Board Diversity Policy.</p> <p>The Board Diversity Policy is available on the Company's corporate website at www.sapura-resources.com.</p> <p>The Company is not classified as a "Large Company". The Board currently consists of one (1) female Director and targets to improve further on the gender diversity ratio in the near future.</p> <p>The Board will, from time to time, review its composition and size to ensure it fairly reflects the investments of the shareholders of the Company while at the same time having due regard for diversity in skills, knowledge, experience, cultural background, gender and age.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board uses a variety of sources for the identification of suitable candidates. The Board may rely on recommendations from existing Board members and other sources to meet the skill sets and requirements of the Board.</p> <p>The BNRC is responsible for recommending suitable candidates to the Board for their consideration. The BNRC is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.</p> <p>During the FYE 2020, Mr. Peter Ho Kok Wai resigned as an INED on 31 May 2019. Subsequent to his resignation, the Board with the assistance of BNRC had collectively reviewed and interviewed Mr. Andrew Heng and found him to be fit and proper for the appointment as an INED based on his qualifications, working experience and occupation, and had appointed him as an INED and a member of the BARC on 3 June 2019. For this new appointment, the Board had utilised independent sources to identify suitable qualified candidates.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The TOR of the BNRC explicitly states that the Chairman must be an INED. The present Chairman of the BNRC is Tan Sri Datuk Amar (Dr.) Hamid bin Bugo, who is an INED of the Company. His profile is set out on page 24 of the Annual Report 2020.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	: Applied
Explanation on application of the practice	<p>The annual assessment of the effectiveness of the Board as a whole, its Board Committees and the contribution of each individual Director have been carried out for the FYE 2020.</p> <p>In conducting each assessment/evaluation, the following main criteria were adopted by the BNRC:-</p> <p>(i) <u>Assessment of the effectiveness of the Board as a whole</u></p> <ul style="list-style-type: none"> • Establish clear roles and responsibilities; • Strengthen composition; • Reinforce independence; • Foster commitment; • Ensure timely and high quality disclosure; and • Strengthen relationship between company and shareholders. <p>(ii) <u>BARC member's self/peer evaluation</u></p> <ul style="list-style-type: none"> • Skill set and composition; and • Performance. <p>(iii) <u>Directors' self/peer performance evaluation</u></p> <ul style="list-style-type: none"> • Fit and proper; • Contribution to interaction; • Quality of input; • Understanding of role; • Board Chairman's role; and • Calibre and personality. <p>Based on the evaluation conducted for the FYE 2020, the BNRC was satisfied with the performance of the Board as a whole, BARC and individual Board member.</p>

	<p>All the Directors and Board Committees provided their feedback anonymously on their peers' performance and individual performance contribution to the Board and respective Board Committees. The results were then collated by the Company Secretaries and tabled to the BNRC for deliberation. The review supported the Board's decision to endorse all retiring Directors standing for re-election. The assessment report together with the report on the Board balance (the required mix of skills, experience and other qualities) were deliberated and circulated to the BNRC. The results affirmed that the Board and each of its Committees continue to discharge its duties effectively.</p> <p>To review the independence of the INEDs, the fundamental premise of the assessment is that an INED must be independent of management and free from any business, family or other relationship, that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of his/her independent and objective judgement in addition to the independence guidelines and criteria as set out in the MMLR of the Bursa Securities.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has adopted a Board Remuneration Policy to support business strategy which is more long term and strategic in nature with the aim to motivate the Directors to achieve the SRB Group's business objective. The said Policy is available on the corporate website at www.sapura-resources.com .</p> <p>The Directors' fees and benefits payable to the Non-Executive Directors are tabled to the shareholders for approval on an annual basis via the AGM of the Company.</p> <p>With respect to the remuneration of Senior Management, the Board had on 28 November 2019 approved the revised TOR of the BNRC for adoption to encompass the appointment of new key senior management, promotion and remuneration packages and the succession planning of key senior management in C-Suite-1 positions to commensurate with their experience, skills, academic background, their performance achievement in the Company. A copy of the revised TOR of the BNRC is available on corporate website at www.sapura-resources.com.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The BNRC comprises exclusively of INEDs. The BNRC is presently chaired by Tan Sri Datuk Amar (Dr.) Hamid bin Bugo.</p> <p>The Board is satisfied that the BNRC has effectively and efficiently discharged its roles and responsibilities with respect to the nomination and remuneration functions relating to the Board and Senior Management. As such, it is not necessary to separate the nomination and remuneration functions into distinct nomination and remuneration committees.</p> <p>In cognisant on the importance to retain and attract high calibre talents of senior management, the Board had on 28 November 2019 approved the Revised TOR of the BNRC for adoption to encompass the appointment of new key senior management, promotion and remuneration packages and the succession planning of key senior management in C-Suite-1 positions. A copy of the revised TOR of the BNRC is available on corporate website at www.sapura-resources.com.</p> <p>The Board, as a whole, determines the remuneration of the Non-Executive Directors, with each Director concerned abstaining from any decision with regard to his/her remuneration. The Company pays its Directors the fees which shall be voted for approval by the shareholders annually during the AGM. It was agreed that the following resolutions shall be tabled at the forthcoming AGM for the shareholders' approval:-</p> <ul style="list-style-type: none">(i) Directors' fees payable for the FYE 2020; and(ii) Directors' benefits payable for the period from 9 July 2020 until the next AGM of the Company in year 2020 under Section 230(1)(b) of the Companies Act 2016.

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

Intended Outcome

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

Practice 7.1

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

Application :	Applied						
Explanation : on application of the practice	The details of the remuneration for Directors during the FYE 2020 are as follows: -						
	Company/Group	Direct- ors' Fees (RM)	Salaries (RM)	Allowan- ce (RM)	Benefits -in-kind (RM)	Others Emolumen- ts (RM)	Total (RM)
	INEDs						
	Tan Sri Datuk Amar (Dr.) Hamid bin Bugo	136,000	-	8,000	323	-	144,323
	Dato' Fuziah @ Fauziah binti Dato' Ismail	83,000		7,000	323	-	90,323
	Dato' Muthanna bin Abdullah	101,000	-	10,500	323	-	111,823
	Encik Ahmad Jauhari bin Yahya	71,000	-	6,500	323	-	77,823
	Mr. Andrew Heng <i>(appointed w.e.f 3 June 2019)</i>	55,333		4,000	323		59,656
	Mr. Peter Ho Kok Wai <i>(resigned w.e.f 31 May 2019)</i>	27,667	-	3,000	-	-	30,667
	Subtotal						370,292

	MD						
	Dato' Shahrizan bin Shamsuddin	59,000	1,560,000	254,600	7,502	435,670	2,316,772
	Subtotal	533,000		293,600	8794	435,670	2,687,064
	NINED						
	Tan Sri Dato' Seri Shahril bin Shamsuddin	59,000		3,500	323		
	Total	592,000	1,560,000	297,100	9458	435,670	2,687,064
Explanation for departure :							
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>							
Measure :							
Timeframe :							

Intended Outcome

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

Practice 7.2

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

Application :	Applied	
Explanation on application of the practice :	The remuneration for the top five Key Senior Management in bands of RM50,000 during the FYE 2020 are as follows:-	
	Remuneration Range (RM)	Top Five Senior Management
	500,000 - 550,000	Shamsul Anuar Musa
	400,000 – 450,000	Burhanudin Noordin Ali Khairil Anuar Muhamad Amrul Zeflin Anim
	350,000-400,000	Mai Eliza Mior Mohamad Zubir
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Audit Committee was established on 5th May, 1994 and was subsequently renamed to Board Audit and Risk Committee with effect from 20 April 2018.</p> <p>The BARC comprises three (3) members, all of whom are INEDs.</p> <p>The positions of the Chairman of the Board and the BARC are held by separate individuals.</p> <p>Dato' Muthanna bin Abdullah, an INED of the Company, is presently the Chairman of the BARC. Whereas the Chairman of the Board is Tan Sri Datuk Amar (Dr.) Hamid bin Bugo, also an INED. This has ensured that the objectivity of the Board's review of the BARC's findings and recommendations are not impaired. This separation is set out clearly in the TOR of the BARC.</p> <p>The TOR of the BARC is available on the Company's website at www.sapura-resources.com.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The TOR of the BARC has clearly set out that that the appointment of a former key audit partner as a member of Audit Committee shall observe a cooling-off period of at least two (2) years before being appointed as a member of Audit Committee.</p> <p>None of the members of the Board were former key audit partners and notwithstanding the above provision and in order to uphold the utmost independence, the Board has no intention to appoint any former key audit partner as a member of Board.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The BARC had adopted performance evaluation of external auditors.</p> <p>The BARC conducted an annual assessment of the suitability and independence of the external auditors, Messrs. Ernst & Young ("EY"), in respect of the financial year under review. The BARC was satisfied with the performance and independence of the external auditors as well as the fulfillment of criteria based on the following observations:-</p> <ul style="list-style-type: none"> • EY's active communication with the BARC; • EY has produced the necessary quality of audit review; • Presentation of a comprehensive audit plan and audit findings report; and • Adequacy of the firm's expertise and its resources to carry out the audit work that they were tasked with. <p>EY had also provided their written confirmation to the BARC that they had been independent throughout their conduct of audit engagement with the Company in respect of the financial under review.</p> <p>Having considered all the above criteria, the Board had upon recommendation by the BARC, approved the recommendation for the re-appointment of EY as external auditors of the Company for the ensuing year for the shareholders' approval at the forthcoming AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The BARC comprises solely of three (3) INEDs as disclosed in the Board Audit and Risk Committee Report set out in the Annual Report 2020.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>All members of the BARC possess necessary skills and a wide range of experience and expertise in areas such as accounting, finance, audit, corporate law and public administration.</p> <p>Mr. Andrew Heng, who was appointed on 3 June 2019, is a Chartered Accountant of the Malaysian Institute of Accountants (MIA), Member of the Chartered Public Accountant ("CPA") in Australia, a Member of the Cambodian Institute of CPAs, a Certified Financial Planner with the Financial Planning Association of Malaysia and an Associate Member of the Institute of Auditors Malaysia. Therefore, the requirement of Paragraph 15.09(1)(c) of the MMLR of Bursa Securities where at least one (1) member of the BARC must be a qualified accountant has been complied with.</p> <p>All members of the BARC have undertaken continuous professional developments and during the financial year under review, the BARC members attended the trainings as set out in Practice 2.1 of this Corporate Governance Report.</p> <p>The members of the BARC collectively have the necessary skills and a wide range of experience and expertise in areas such as accounting, audit, finance, business acumen and analytical skills, corporate law and management.</p> <p>Based on the outcome of the performance assessment on the BARC by the BNRC, both the BNRC and the Board are satisfied with the performance of the BARC.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has overall responsibility for maintaining a system of internal control and risk management that enables the Company to make informed decisions with reasonable assurance of achieving effective and efficient operations and compliance with laws and regulations, as well as with internal procedures and guidelines amidst its efforts to achieve the Company's objectives and business goals.</p> <p>The Board had appointed the BARC to review and monitor the effectiveness of the Group's system of internal control and the risk management policies, processes and infrastructure which are established to manage various types of risks and to ensure an effective internal audit function.</p> <p>The Statement on Risk Management and Internal Control set out in the Annual Report 2020 provides an overview and key features of the internal control within the Group together with the adequate and effective measures taken for the financial year under review.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in a place a Group Risk Management Policy and Framework to identify, evaluate and manage the Group's principal risks and its internal control.</p> <p>The Board had via the BARC oversees the risk management and internal control system of the Group.</p> <p>The BARC, with the assistance of the Management Risk Committee, reviews and recommends for the Board's approval matters related to risk management within the Group. The BARC also assesses the risk tolerance of the Group in order to safeguard the interest of the shareholders.</p> <p>The Company also engages KPMG, the Internal Auditors to provide independent assessments on the adequacy, efficiency and effectiveness of the Company's Internal Control System.</p> <p>The Statement on Risk Management and Internal Control set out in the Annual Report 2020 provides an overview and key features of the internal control within the Group together with the adequate and effective measures taken during the financial year under review.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>For an effective and independent internal audit function as an integral part of the control structure and risk management framework of the Group, the Company has outsourced the internal audit function to KPMG, a third-party service provider.</p> <p>It is the responsibility of the internal auditors to provide the BARC with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures.</p> <p>To this end, the functions of the internal auditors are to:</p> <ul style="list-style-type: none"> • perform audit work in accordance with the pre-approved internal audit plan; • carry out reviews on the system of internal control of the Group and the Company; • review and comment on the effectiveness and adequacy of the existing control policies and procedures; and • provide recommended corrective actions, if any, for the improvement of the control policies and procedures. <p>The BARC and the Board are satisfied with the performance of the internal auditors, KPMG, in the provision of outsourced internal audit services to the Group and the Company.</p> <p>During the financial year under review, the internal auditors completed the internal audit review on the overall risk management, control and governance processes of the hangarage management in Aviation business segment and facilities management.</p> <p>Further details of the Internal Audit Function are disclosed under the Board Audit and Risk Committee Report of Annual Report 2020.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has outsourced its internal audit function to KPMG. The internal audit engagement by KPMG is headed by an Executive Director, namely Encik Mohd Khaidzir Shahari. Encik Khaidzir is a professional member of the Institute of Internal Auditors, Malaysia, a Chartered Accountant (Malaysian Institute of Accountants) and a Certified Internal Auditor. Encik Khaidzir has accumulated over 20 years of experience in a wide range of governance advisory, risk and internal audit works.</p> <p>There was a total of three (3) personnel which were deployed by KPMG for the internal audit works during the FYE 2020. All the personnel deployed by KPMG are free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of their work.</p> <p>The internal audit work was carried out in accordance with a framework set by a recognised professional body i.e. International Professional Practice Framework issued by Institute of Internal Auditors, of which final communication of internal audit plan, processes and results of the internal audit assessment are supported by sufficient, reliable and relevant information which signifies a satisfactory conclusion of the internal audit works.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the need for transparency and accountability to the Company's shareholders and regular communication with its shareholders, stakeholders and investors on the performance and major developments in the Company.</p> <p>The Board ensures that a dedicated section governing the Board-Shareholders relationship be included in the Board Charter, thereby formalising the Board's commitment to serving the best interest of the shareholders.</p> <p>The AGM is the main forum of dialogue with shareholders as it provides an opportunity for the shareholders to seek and clarify any issues pertaining to the Group and to have a better understanding of the Group's activities and performance. It is also an avenue for the Chairman and Board members to respond personally to all queries and provide clarification on issues and concerns raised by the shareholders. Both individuals and institutional shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions set out in the notice.</p> <p>Other than the forum of the AGM, the Company communicates regularly with shareholders and investors through annual reports, quarterly financial reports and various announcements made via Bursa LINK as the Board acknowledges the importance of accurate and timely dissemination of information to its shareholders, potential investors and the public in general. Shareholders and Investors can obtain the Company's latest announcements in the dedicated website of Bursa Securities at http://www.bursamalaysia.com or via the SRB's corporate website at www.sapura-resources.com.</p> <p>The Company's corporate website which is accessible at www.sapura-resources.com provides all relevant information on the Company and is accessible by the public. It includes the announcements made by the Company and annual reports. The Board discloses to the public all material information necessary for informed investment and takes reasonable steps to ensure that all shareholders enjoy equal access to</p>

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

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not classified as a "Large Company". However, the Company would consider adopting the integrated reporting based on a globally recognised framework, when necessary.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Annual Report, which contains the Notice of AGM, was sent to shareholders at least twenty-eight (28) days prior to the date of the meeting to give sufficient time to shareholders to consider the resolutions that will be discussed and decided at the AGM. The Notice of AGM, which sets out the businesses to be transacted at the AGM, was also published in a major local newspaper.</p> <p>Subsequent to the despatch of the Notice of the Sixty-Second AGM (“62nd AGM”) on 21 May 2019, Mr. Andrew Heng was appointed as an INED of the Company on 3 June 2019. Hence, Mr. Andrew Heng is subject to retirement at the 62nd AGM and being eligible, had offered himself for re-election as a Director of the Company. Upon review, the BNRC and the Board had resolved that the re-election of Mr. Andrew Heng pursuant to Article 91 of the Company’s Articles of Association, be recommended to the shareholders for approval at 62nd AGM.</p> <p>Following to that, the Company had on 11 June 2019 issued an addendum to the Notice of the 62nd AGM to include an additional Ordinary Resolution on the re-election of Mr. Andrew Heng as a Director of the Company pursuant to Article 91 of the Company’s Articles of Association.</p> <p>The notes to the Notice of AGM also provide detailed explanation for each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors will attend General Meetings and will take any relevant questions addressed to them unless unforeseen circumstances preclude them from attending General Meetings.</p> <p>The Chairman of the Board Committees are also readily available to address any questions posted by the shareholders at the general meetings in respect of matters that fall under the purview of the Board Committees.</p> <p>All Directors attended the 62nd AGM and Extraordinary General Meeting (“EGM”) of the Company held on 20 June 2019 and 3 July 2019, respectively. Members of the Senior Management and external auditors of the Company were also in attendance and will continue to be present at the succeeding AGM to respond to the shareholders’ queries.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	: Departure
Explanation on application of the practice	
Explanation for departure	<p>Poll voting was adopted at the AGM and EGM held in 2019 for all resolutions proposed, where votes were cast by way of electronic means. Share Registrar of the Company, Boardroom Share Registrars Sdn. Bhd. was appointed to act as the Poll Administrator and Boardroom Business Solutions Sdn. Bhd. was appointed to act as the Independent Scrutineers to verify the results of the poll voting.</p> <p>The Chairman announced the poll voting results after the same has been verified by the appointed Independent Scrutineer. Poll results are announced on the same day through Bursa Link services.</p> <p>Presently, the Company does not have any facilities to cater for voting in absentia and remote shareholders' participation at general meeting(s). Prior to implementing such facilities, the Board noted that several factors/conditions need to be fulfilled prior to making such consideration:-</p> <ul style="list-style-type: none"> • Availability of technology and infrastructure; • A comprehensive and robust cyber security system; • Sufficient number of shareholders residing/locating at particular remote location(s); and • Age profile of the shareholders. <p>In view thereof, the Board requires sufficient time to explore onto it and will not be recommending the adoption of such voting/participation format at the forthcoming AGM of the Company.</p> <p>Alternative practice: The shareholders can vote by proxy, provided that the proxy shall have been appointed by the shareholder himself or by his duly authorised representative provided further that it is filed at the registered office of the Company at least 48 hours before the AGM.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure	:	The Company is keen to leverage on technology to facilitate voting in absentia and remote shareholders' participation at general meetings. Measures will be taken to explore the same.	
Timeframe	:	Within 5 years	

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

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

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