

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 4596  
**COMPANY NAME** : SAPURA RESOURCES BERHAD  
**FINANCIAL YEAR** : January 31, 2019

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 has delegated specified matters to individual board members and the Board Committees to oversee critical or major functional areas and to address matters which require detailed review or in-depth consideration. The Board Committees comprising two Governance Committees i.e., the Board Audit and Risk Committee (“<b>BARC</b>”) and the Board Nomination and Remuneration Committee (“<b>BNRC</b>”). The Terms of Reference (“<b>TOR</b>”) of the Board Committees are available on the Company's website at <a href="http://www.sapura-resources.com">www.sapura-resources.com</a>.</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 <a href="http://www.sapura-resources.com">www.sapura-resources.com</a>.</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 and policy and procedures on Whistleblowing.

**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 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 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.

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 plans for the Company.

The Board reviews, discusses thoroughly and approves the budget for the ensuing financial year at a 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, "Key Management Team") in ensuring that the two (2) core businesses of the Company (i.e. property and aviation) are well managed. On 11 March 2019, Puan Rosenah Mohd Hassan has resigned as the Chief Corporate Officer to pursue her personal interest. Following this resignation, the Company appointed Puan Ainun Mardziah binti Hashim as the Acting Chief Financial

	<p>Officer on an interim basis prior to the appointment of the Company's new Chief Financial Officer.</p> <p><b>iv) Identify principal risks and ensure implementation of appropriate internal controls and mitigation measures</b></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, KPMG Management &amp; Risk Consulting Sdn. Bhd. ("KPMG") that assists the BARC and the Board in establishing of the internal control system and 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 in accordance with the BARC's Terms of Reference ("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><b>v) Review the adequacy and integrity of the management information and internal controls system of the Company</b></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 2019.</p> <p><b>vi) Ensure the integrity of the Company's financial and non-financial reporting.</b></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. During the FYE 2019, the BARC reviewed the quarterly financial reports which were presented by the former Chief Corporate Officer prior to recommending them for approval by the Board and issuance to Bursa Securities. The Directors have also given assurance that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group as at end of the financial year.</p>
<p><b>Explanation for departure</b> :</p>	

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

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 <a href="http://www.sapura-resources.com">www.sapura-resources.com</a>.</p> <p>The Board is chaired by an Independent Non-Executive Director. Tan Sri Datuk Amar (Dr.) Hamid bin Bugo, provides strong leadership as the Chairman of the Company and is able to provide effective strategic direction and necessary governance to the Group.</p> <p>The Chairman is responsible for providing leadership to the Board, controls the orderly and effective functioning of the Board, ensures the integrity and effectiveness of the governance processes of the Board 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 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>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of the Chairman and the MD are held by two (2) different individuals.</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. Tan Sri Datuk Amar (Dr.) Hamid bin Bugo is the Independent Non-Executive Chairman while Dato' Shahrizan bin Shamsuddin is the MD of the Group.</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 accountability and division of responsibilities. The Board Charter is available on the Company's corporate website at <a href="http://www.sapura-resources.com">www.sapura-resources.com</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<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 to act as company secretary under Section 235(2) of the Companies Act 2016. 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"> <li>• Preparation and submission of returns and/or forms under the Companies Act 2016 to the Companies Commission of Malaysia;</li> <li>• Proper maintenance of statutory records;</li> <li>• Transmission/submission of corporate announcements to the Bursa Securities electronically via Bursa LINK;</li> <li>• Drafting all necessary notices, Directors’ resolutions, minutes of Board meetings and shareholders’ meetings and relevant documents under the direction and instruction of the Board;</li> <li>• Attendance at Annual General Meeting (“AGM”) and Extraordinary General Meeting of shareholders;</li> <li>• Attendance at meetings of the Board, the BARC and the BNRC;</li> <li>• Preparation of Board papers and meeting materials for Board and Board Committees’ meetings or any other meetings, if required; and</li> <li>• 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 and in general, such other matters relating to secretarial practice.</li> </ul>
<b>Explanation for departure</b>	:
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	



<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 and the MD 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 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 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 basis 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 follow-up action by Management. The signed Board/Board Committees Minutes are enclosed into the Minutes Books kept at the registered office of the Company.</p>

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

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter serves as a source 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 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 <a href="http://www.sapura-resources.com">www.sapura-resources.com</a>.</p> <p>The roles and responsibilities of the Board of Directors, Senior Independent Non-Executive Director ("SINED"), 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. - Technical Visit to a self-propelled heavy lift pipe laying vessel – Sapura 3500 - Global Gas Market Development: Supply-Demand and Implication to Pricing Dynamics - Geographic Focus – Middle East: Opportunity Space for the Offshore Oil and Gas Industry	05/02/2018
	2. 2018 Malaysian Financial Reporting Standards (MFRS) 15 Training	14/02/2018
	3. Good Governance In A Multi-Ethnic Federation	22/02/2018
	4. MSSG Reporting & Corporate Governance Guide	16/03/2018
	5. The Magnificent Odyssey: Closing The Gap Between Rural & Urban Education	11/05/2018
	6. A Comprehensive Guide To The Human Side Of Leadership	21/07/2018
	7. CG Assessment Using The Revised ASEAN Scoreboard Methodology	28/08/2018
	8. The 4th Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2018)	25/09/2018
Tan Sri Dato' Seri Shahril bin Shamsuddin	1. - Technical Visit to a self-propelled heavy lift pipe laying vessel – Sapura 3500 - Global Gas Market Development: Supply-Demand and Implication to Pricing Dynamics - Geographic Focus – Middle East: Opportunity Space for the Offshore Oil and Gas Industry	05/02/2018

		2. 2018 Malaysian Financial Reporting Standards (MFRS) 15 Training	14/02/2018
		3. The 4th Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2018)	25/09/2018
	Dato' Shahrman bin Shamsuddin	1. - Technical Visit to a self-propelled heavy lift pipe laying vessel – Sapura 3500 - Global Gas Market Development: Supply-Demand and Implication to Pricing Dynamics - Geographic Focus – Middle East: Opportunity Space for the Offshore Oil and Gas Industry	05/02/2018
		2. The 4th Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2018)	25/09/2018
		3. Anti-Corruption Summit 2018 “Good Governance and Integrity for Sustainable Business Growth”	30/10/2018
	Dato' Muthanna bin Abdullah	1. Annual Dialogue with Deputy Governor of BNM	19/04/2018
		2. Identifying your next Board Talent	08/11/2018
	Peter Ho Kok Wai	1. Corporate Governance Briefing Sessions : MCCG Reporting & CG Guide	02/03/2018
		2. Half Day Seminar on Corporate Liability Provision 2018	05/06/2018
		3. SuperCharger KL 2.0 Launch	18/09/2018
		4. KPMG Seminar “Sales Tax, Service Tax and Price Control and Anti-Proteering – Latest Updates!”	21/08/2018
		5. Briefing on Sales and Services Tax by Deloitte	30/08/2018

		6. FinTech Industry Update, Platform & disintermediation and Company presentations by Janos Barberis	15/10/2018						
		7. Briefing on Integrated Reporting by PwC PLT	24/10/2018						
		8. PIDM Dialogue with Board Members of Life Insurance Companies	15/11/2018						
		9. Cybersecurity Training by Wong & Partners	29/11/2018						
		10. Special Dialogue with Lembaga Hasil Dalam Negeri	14/01/2019						
	Ahmad Jauhari bin Yahya	1. Key Amendments to Listing Requirements arising from CA2016	29/03/2018						
		2. CEPSI Conference	17/09/2018 – 22/09/2018						
		3. Breakfast Series “Non-Financials – Does it Matter?”	5/12/2018						
	<p>Due to other commitments, Dato’ Fuziah @ Fauziah binti Dato’ Ismail did not attend any training during the financial year FYE19. However, Dato’ Fuziah has attended to the following training programmes in 2019:-</p> <table border="1"> <thead> <tr> <th>Conference / Seminar / Forum / Discussion / Workshop / Training</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>1. Breakfast Talk Series on Sustainability &amp; Business</td> <td>21/03/2019</td> </tr> <tr> <td>2. Audit Committee Institute Breakfast Roundtable 2019</td> <td>03/04/2019</td> </tr> </tbody> </table>			Conference / Seminar / Forum / Discussion / Workshop / Training	Date	1. Breakfast Talk Series on Sustainability & Business	21/03/2019	2. Audit Committee Institute Breakfast Roundtable 2019	03/04/2019
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1. Breakfast Talk Series on Sustainability & Business	21/03/2019								
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<b>Explanation for departure</b> :									
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>									
<b>Measure</b> :									

<b>Timeframe</b>	:		
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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 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised ethical standards of corporate governance and corporate behaviour by adopting a Code of Conduct and Ethics for Directors ("<b>the Code</b>"). The Code is available on SRB's corporate website at <a href="http://www.sapura-resources.com">www.sapura-resources.com</a>.</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"> <li>(i) Compliance with laws, rules and regulations;</li> <li>(ii) Conflict of interest;</li> <li>(iii) Anti-Corruption/Bribes;</li> <li>(iv) Company assets;</li> <li>(v) Confidentiality;</li> <li>(vi) Insider trading;</li> <li>(vii) Fair dealing and anti-competition;</li> <li>(viii) Reporting violations of the Code; and</li> <li>(ix) Enforcement of the Code.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Whistleblowing Policy (“<b>the WB Policy</b>”) to encourage transparent and ethical conduct in the Company.</p> <p>The objectives of the WB Policy is 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>The WB Policy will be reviewed by the Board annually or on ad hoc basis to assess its relevance and effectiveness.</p> <p>The WB Policy is available on SRB’s corporate website at <a href="http://www.sapura-resources.com">www.sapura-resources.com</a>.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company is encouraging objective and independent deliberation review and decision-making.</p> <p>Currently, the Board comprises seven (7) Directors, with five (5) out of seven (7) Directors being Independent Non-Executive Directors and 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 2019 (“FYE 2019”).</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 Independent Directors.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<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.</p> <p>The Company will be seeking shareholders' approval at the forthcoming AGM for the following three (3) Independent Non-Executive Directors ("INEDs"):-</p> <ul style="list-style-type: none"><li>(i) Dato' Muthanna Bin Abdullah has served the Board for more than nine (9) years as an INED since 18 December 2008;</li><li>(ii) Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo has served the Board for more than nine (9) years as an INED since 25 August 2009; and</li><li>(iii) Dato' Fuziah @ Fauziah Binti Dato' Ismail has served the Board for more than nine (9) years as an INED since 25 August 2009.</li></ul> <p>The Board through the BNRC has undertaken relevant assessments and recommended that the three (3) 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"><li>(1) They have met the criteria set in the annual assessment of their independence in line with the MMLR of Bursa Securities;</li><li>(2) All 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;</li><li>(3) Their financial management, accounting and legal background have provided support to enable the Board to discharge its</li></ul>

	<p>duties effectively and in a competent manner;</p> <p>(4) All 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 2019; and</p> <p>(5) They have exercised due care and diligence and acted in the best interest of the Company by providing independent view to the deliberations and decision making of the Board and Board Committees Meetings.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The BNRC is responsible for making 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:-</p> <ul style="list-style-type: none"> <li>• skills, knowledge and expertise, experience;</li> <li>• time commitment and contribution;</li> <li>• honesty, integrity, professional conduct and business ethics/practices;</li> <li>• specialised knowledge in line with the Company’s strategy;</li> <li>• number of directorships in other companies and other external obligations which may affect his/her commitment; and</li> <li>• diversity including gender diversity.</li> </ul> <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 the gender diversity and recognises the benefits that it can bring, 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, experience, potential, 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](http://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 2019.

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)
<b>Race/Ethnicity</b>	Malay	6	4
	Chinese	1	1
	Indian	0	0
<b>Age Group</b>	30 to 40	0	0
	41 to 50	1	2
	51 to 60	3	3
	61 to 70	1	0
	Above 70	2	0
<b>Gender</b>	Male	6	4
	Female	1	1

Please refer to the Annual Report 2019 in respect of the Profile of Directors and the Profile of the Key Senior Management on pages 22 to 31 for further information.

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

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supportive of the 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 <a href="http://www.sapura-resources.com">www.sapura-resources.com</a>.</p> <p>The Company is not classified as "Large Company". The Board currently consists of one (1) female Director and targets to improve further on 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, experience, cultural background, gender and age.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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>There was no new appointment of Directors for the FYE 2019.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The TOR of the BNRC specifies 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 Independent Non-Executive Director of the Company. His profile is set out on page 22 of the Annual Report 2019.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 2019.</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"><li>• Establish clear roles and responsibilities;</li><li>• Strengthen composition;</li><li>• Reinforce independence;</li><li>• Foster commitment;</li><li>• Ensure timely and high quality disclosure; and</li><li>• Strengthen relationship between company and shareholders.</li></ul> <p>(ii) <u>BARC member's self/peer evaluation</u></p> <ul style="list-style-type: none"><li>• Skill set and composition; and</li><li>• Performance.</li></ul> <p>(iii) <u>Directors' self/peer performance evaluation</u></p> <ul style="list-style-type: none"><li>• Fit and proper;</li><li>• Contribution to interaction;</li><li>• Quality of input;</li><li>• Understanding of role;</li><li>• Board Chairman's role; and</li><li>• Calibre and personality.</li></ul> <p>Based on the evaluation conducted for the FYE 2019, 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 anonymous feedback 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 operate 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>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 <a href="http://www.sapura-resources.com">http://www.sapura-resources.com</a>.</p> <p>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 Company has put in place a policy to determine their remuneration to commensurate with experience, skills and academic background.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The BNRC was established on 27 March, 2002.</p> <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 its nomination and remuneration functions. As such, it is not necessary to separate the nomination and remuneration functions into distinct nomination and remuneration committees.</p> <p>The Terms of Reference of the BNRC is available on the Company's website at <a href="http://www.sapura-resources.com/">http://www.sapura-resources.com/</a>.</p> <p>For the FYE 2019, the BNRC has undertaken the following activities in respect of matters relating to the Board and Senior Management:-</p> <ul style="list-style-type: none"><li>(i) Reviewed and recommended to the Board the proposed Directors' fees payable in respect of the financial year ended 31 January 2018 ("<b>FYE 2018</b>");</li><li>(ii) Reviewed and recommended to the Board the proposed Directors' benefits payable;</li><li>(iii) Reviewed and recommended the revised Board Charter to the Board for approval and adoption;</li><li>(iv) Reviewed the Key Results Areas/Key Performance Indicators of the MD of the Company;</li><li>(v) Reviewed and recommended the following code/policies of the Company to the Board of Directors for approval and adoption:-<ul style="list-style-type: none"><li>• Code of Conduct and Ethics for Directors;</li><li>• WB Policy;</li><li>• Board Diversity Policy; and</li></ul></li></ul>

	<ul style="list-style-type: none"> <li>• Board Remuneration Policy.</li> </ul> <p>(vi) Discussed and reassessed the organisation chart of the Company and the Aviation division.</p> <p>(vii) Reviewed and recommended the revised Job Description of the MD of the Company;</p> <p>(viii) Considered, reviewed and recommended to the Board for approval, the bonus payment to the MD for the FYE 2018;</p> <p>(ix) Reviewed and recommended the new Human Resource Policies of the Company to the Board of Directors for approval;</p> <p>(x) Reviewed and recommended the employees' remuneration packages and benefits for the joint venture company to be set up for the maintenance, repair and overhaul ("MRO") business; and</p> <p>(xi) Reviewed, assessed and recommended the recruitment of the Accountable Manager of the joint venture company to be set up for the MRO business.</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> <p>(i) Directors' fees payable for the FYE 2019; and</p> <p>(ii) Directors' benefits payable for the period from 17 July 2019 until the next AGM of the Company in year 2020 under Section 230(1)(b) of the Companies Act 2016.</p>
<b>Explanation for departure</b> :	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<b>Measure</b> :	
<b>Timeframe</b> :	

## 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.

<b>Application</b> :	Applied						
<b>Explanation on application of the practice</b> :	The details of the remuneration for Directors during the FYE 2019 are as follows: -						
	<b>Company/Group</b>	<b>Directors' Fees (RM)</b>	<b>Salaries (RM)</b>	<b>Allowance (RM)</b>	<b>Benefits-in-kind (RM)</b>	<b>Others Emoluments (RM)</b>	<b>Total (RM)</b>
	<b><u>INEDs</u></b>						
	Tan Sri Datuk Amar (Dr.) Hamid bin Bugo	136,000	-	5,500	302	-	141,802
	Dato' Fuziah @ Fauziah binti Dato' Ismail	83,000	-	7,500	302	-	90,802
	Dato' Muthanna bin Abdullah	101,000	-	8,500	302	-	109,802
	Mr. Peter Ho Kok Wai	83,000	-	7,500	302	-	90,802
	Encik Ahmad Jauhari bin Yahya	71,000	-	5,500	302	-	76,802
	<b>Subtotal</b>	<b>474,000</b>	<b>-</b>	<b>34,500</b>	<b>1,510</b>	<b>-</b>	<b>510,010</b>
	<b><u>MD</u></b>						
	Dato' Shahrizan bin Shamsuddin	59,000	1,560,000	255,300	7,502	508,496	2,390,298
	<b>Subtotal</b>	<b>533,000</b>	<b>1,560,000</b>	<b>289,800</b>	<b>9,012</b>	<b>508,496</b>	<b>2,900,308</b>
	<b><u>NINED</u></b>						
	Tan Sri Dato' Seri Shahril bin Shamsuddin	59,000	-	4,000	302	-	63,302
	<b>Total</b>	<b>592,000</b>	<b>1,560,000</b>	<b>293,800</b>	<b>9,314</b>	<b>508,496</b>	<b>2,963,610</b>

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

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The remuneration for the top five Key Senior Management in bands of RM50,000 during the FYE 2019 are as follows:-	
		<b>Remuneration Range (RM)</b>	<b>Top Five Senior Management</b>
		450,001 – 500,000	Shamsul Anuar Musa Rosenah Mohd Hassan
		400,001 – 450,000	Ilyas Alex Chan Abdullah Khairil Anuar Muhammad Ahmad Kamal Sharifuddin
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### **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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Audit Committee was established on 5<sup>th</sup> May, 1994 and has 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 Independent Directors.</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 <a href="http://www.sapura-resources.com">http://www.sapura-resources.com</a>.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The BARC has 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 &amp; 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"> <li>• EY's active communication with the BARC;</li> <li>• EY has produced the necessary quality of audit review;</li> <li>• Presentation of a comprehensive audit plan and audit findings report; and</li> <li>• Adequacy of the firm's expertise and its resources to carry out the audit work that they were tasked with.</li> </ul> <p>EY had also provided written confirmation to the BARC that they had been independent throughout the audit engagement 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>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The BARC comprises of three (3) Independent Non-Executive Directors as disclosed on page 66 of the Board Audit and Risk Committee Report.

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All members of the BARC possess necessary skills and a wide range of experience and expertise in areas such as accounting, audit, corporate law and public administration.</p> <p>Mr. Peter Ho is a member of the Malaysian Institute of Accountants (MIA), Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Malaysian Institute of Certified Public Accountant (MICPA). 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 year, the BARC members attended the trainings as set out in Practice 2.1 of this Corporate Governance Report except for Dato' Fuziah @ Fauziah binti Dato' Ismail.</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>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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.</p> <p>The Board has 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 2019 provides an overview of the internal control within the Group for the financial year under review.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has in a place a risk management policy and framework to identify, evaluate and manage the Group's principal risks.</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 2019 provides an overview of the internal control within the Group during the financial year under review.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 Management and Risk Consulting Sdn. Bhd. (“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"> <li>• perform audit work in accordance with the pre-approved internal audit plan;</li> <li>• carry out reviews on the system of internal control of the Group and the Company;</li> <li>• review and comment on the effectiveness and adequacy of the existing control policies and procedures; and</li> <li>• provide recommendations, if any, for the improvement of the control policies and procedures.</li> </ul> <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 year under review, the internal auditors completed the internal audit review on the overall risk management, control and governance processes of the Aviation and Property Management.</p> <p>Further details of the Internal Audit Function are disclosed under the Board Audit and Risk Committee Report of Annual Report 2019.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		



<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 four (4) personnel which were deployed by KPMG for the internal audit works during the FYE 2019. 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 the 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>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 <a href="http://www.bursamalaysia.com">http://www.bursamalaysia.com</a> or via the SRB's website at <a href="http://www.sapura-resources.com">www.sapura-resources.com</a>.</p> <p>The Company's corporate website which is accessible at <a href="http://www.sapura-resources.com">www.sapura-resources.com</a> 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.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is not classified as "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>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Annual Report, which contains the Notice of AGM, was sent to shareholders at least 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>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>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<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>During the AGM held in 2018, all Directors attended the AGM. Members of the Senior Management and external auditors of the Company have also attended and will continue to present at the succeeding AGM to respond to the shareholders' queries.</p>	
<b>Explanation for departure</b>	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	: Departure
<b>Explanation on application of the practice</b>	
<b>Explanation for departure</b>	<p>Poll voting was adopted at the AGM held in 2018 for all resolutions proposed, where votes were cast by way of voting slips. Share Registrar of the Company, Boardroom Share Registrars Sdn. Bhd. (<i>formerly known as Symphony Share Registrars Sdn. Bhd.</i>) was appointed to act as the Poll Administrator and Boardroom Business Solutions Sdn. Bhd. (<i>formerly known as Symphony Corporatehouse Sdn. Bhd.</i>) 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"> <li>• Relevant amendments to the Articles of Association/Constitution of the Company to outline the procedures for enabling such voting/participation;</li> <li>• Availability of technology and infrastructure;</li> <li>• Sufficient number of shareholders residing/locating at particular remote location(s); and</li> <li>• Age profile of the shareholders.</li> </ul> <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</p>



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