

# CORPORATE GOVERNANCE STATEMENT



The Board of Directors recognises the importance for the Company to maintain high standards of transparency, accountability and integrity, in line with the Principles and Best Practices of the Malaysian Code on Corporate Governance (Code).

Set out below is the Corporate Governance Statement of the Company, stating how the Company has complied with and applied the Principles and Best Practices of the Code during the financial year ended 31 January 2011.

## THE BOARD OF DIRECTORS

The Company is led and controlled by a competent and effective Board. As stipulated by its Board Charter, the responsibilities of the Board include the following:

- reviewing the strategic action plan for the Company;
- reviewing the adequacy and integrity of the Company's internal control system;
- ensuring a satisfactory framework of reporting on internal financial controls and regulatory compliance;
- establishing policies for enhancing the performance of the Company;
- monitoring the performance of senior management;
- determining the succession plan of senior management; and
- ensuring that the Company adheres to high standards of ethics and corporate behaviour.

The Board Charter also provides descriptions of responsibilities of the Chairman, the Executive Director and the Board as a whole. Under the Charter, the roles of the Chairman and the Executive Vice-Chairman & President (being the Executive Director of the Company) are separate. The Chairman's main responsibility is to provide overall leadership to the Board while the Executive Vice-Chairman & President, together with the Chief Executive Officer, is responsible for ensuring that the Company's corporate and business objectives are met. This clear division of responsibilities between the Chairman and the Executive Vice-Chairman & President ensures an effective balance of empowerment and authority.

The Board currently comprises five (5) Independent Non-Executive Directors and five (5) Non-Independent Directors, which exceeds the minimum requirement under paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), which stipulates that at least one-third (1/3) of the Board is to consist of Independent Directors.

The Board members, in addition to being persons of high calibre and credibility, also possess the necessary skills and experience in bringing independent judgment to issues discussed by the Board. The diversity of the Directors' background from the fields of engineering, information technology, accounting, management and public administration, and their experience accumulated while serving both in private and government sectors, brings to the Board the necessary range of expertise and experience required by the Board to effectively perform its functions. Details of each individual Director's professional background and qualifications can be viewed in pages 28 to 39 of the Annual Report.

The members of the Board comprises Dato' Hamzah Bakar (Non-Independent Non-Executive Chairman), Datuk Shahril Shamsuddin (Executive Vice-Chairman & President), Tan Sri Datuk Amar (Dr.) Hamid Bugo (Independent Non-Executive Director), Tan Sri Ibrahim Menuhin (Independent Non-Executive Director), Dato' Fauziah Dato' Ismail (Independent Non-Executive Director), Ms Gee Siew Yoong (Independent Non-Executive Director), Encik Mohamed Rashdi Mohamed Ghazalli (Independent Non-Executive Director), Encik Shahrizan Shamsuddin (Non-Independent Non-Executive Director), Datuk Kris Azman Abdullah (Non-Independent Non-Executive Director), YM Ungku Suleiman Ungku Abdul Aziz (Non-Independent Non-Executive Director) and Tuan Syed Hasan Saifud-Deen Abdul-Basseer Alsagoff (Alternate Director to Datuk Shahril Shamsuddin and Encik Shahrizan Shamsuddin).

The number of Non-Independent Directors, representing the largest major shareholder of SapuraCrest, adequately reflects their interest in the Group.

## APPOINTMENT TO THE BOARD

The Code has recommended a formal and transparent procedure for the appointment of new Directors to the Board. For this purpose, SapuraCrest has a Nomination Committee made up exclusively of Non-Executive Directors, the majority of whom are independent. The Terms of Reference of the Nomination Committee incorporates the Best Practices provisions relating to the appointment of new Directors as contained in the Code. The Committee comprises Dato' Hamzah Bakar as Chairman, together with Tan Sri Datuk Amar (Dr.) Hamid Bugo and Encik Mohamed Rashdi Mohamed Ghazalli as members of the Committee.

Although the actual decision as to who shall be appointed as Director lies ultimately with the Board as a whole, the Nomination Committee is responsible for proposing new nominees to the Board, and to assess Directors on an on-going basis. Based on the Committee's recommendation, the Board has agreed on a set of guiding principles to assist the Board with regard to evaluating the Board's mix of skills and experience, as well as the assessment of the size of the Board in relation to its effectiveness.

### INDUCTION AND TRAINING PROGRAMME

The Company's Board Charter provides for newly appointed Directors to receive the benefit of an induction programme aimed at deepening their understanding of the Company. All Non-Executive Directors appointed to the Board have participated in the programme.

The Board acknowledges that continuous education and training is vital towards building and enhancing the necessary skills required in performing their duties as Directors. In evaluating and determining the training needs of the Directors, the Board recognises that such continuing training encompasses the need to gain insights into, comprehending, and meeting the challenges arising from the evolving needs and demands of the industry as well as from technological advancements, regulatory updates and management strategies. The building of such skills and its continuing enhancement is met not just by attendance at programmes, seminars and briefings but also through industry issue dialogues, investor communication and relations and a constant general perceptiveness of relevant issues affecting the Company, its industry and its regulatory environment.

The training programmes, seminars and/or conferences attended by the Directors for the financial year ended 31 January 2011 are as follows:

- 15<sup>th</sup> Annual Asia Oil & Gas Conference
- 18<sup>th</sup> World Congress of Accountants 2010
- Leadership and Talent Management
- Corruption and Its Prevention
- Conflict Resolution and Negotiation Skills
- Post Merger Integration



### RETIREMENT AND RE-ELECTION

The Code has recommended that all Directors submit themselves for re-election at regular intervals, or at least once every three (3) years. Article 95 of the Company's Articles of Association has incorporated this principle and provided for the retirement of one-third (1/3) of the Directors at every Annual General Meeting (AGM). If the number involved is not three (3) or in multiples of three (3), then the number closest to one-third (1/3) shall retire from office. All retiring Directors are eligible for re-election.

In addition to the above, Article 96 stipulates that the Directors to retire shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment.

In compliance with Articles 95 and 96 of the Articles of Association, Datuk Shahril Shamsuddin, Tan Sri Ibrahim Menudin and Dato' Fauziah Dato' Ismail shall retire at the 32<sup>nd</sup> AGM. Being eligible, they have offered themselves for re-election.

Article 100 of the Articles of Association provides that any additional Director appointed during the year shall hold office until the next AGM of the Company. The Director appointed, however, is eligible for re-election at the said AGM. In compliance with Article 100 of the Articles of Association, Datuk Kris Azman Abdullah and YM Ungku Suleiman Ungku Abdul Aziz who were appointed to the Board on 29 September 2010 and 1 April 2011 respectively shall retire at the 32<sup>nd</sup> AGM. Being eligible, they have offered themselves for re-election.

### BOARD MEETINGS

Board meetings were held by the Company on a regular basis. During the financial year ended 31 January 2011, a total of eight (8) Board meetings were held. Agenda items discussed at the Board meetings included, among others, reviews of the operational and financial performance, significant issues and activities, and opportunities relating to the Company.

The Chairman is primarily responsible for organising the flow of information at Board meetings. During the financial year ended 31 January 2011, he was assisted by the Company Secretary and Senior Management to set the Agenda for each meeting and to ensure that relevant items were placed on the Agenda for the Board's information. To further facilitate productive discussions at Board meetings, notices of meetings and board papers were provided to the Members in a timely manner.

Details of attendance at Board meetings held for financial year ended 31 January 2011 are as follows:

Name of Directors	Meetings Attended	Maximum possible meetings to attend	%
1. Dato' Hamzah Bakar	8	8	100
2. Datuk Shahril Shamsuddin	8	8	100
3. Tan Sri Datuk Amar (Dr.) Hamid Bugo	7	8	87.5
4. Tan Sri Ibrahim Menuhin	6	8	75
5. Dato' Fauziah Dato' Ismail	8	8	100
6. Gee Siew Yoong	8	8	100
7. Mohamed Rashdi Mohamed Ghazali	8	8	100
8. Shahrizan Shamsuddin	6	8	75
9. Datuk Kris Azman Abdullah	2	2	100
10. YM Ungku Suleiman Ungku Abdul Aziz (Appointed on 1 April 2011)	–	–	–

## ACCESS TO INFORMATION AND ADVICE

Board Members have access to all information in the Company. They also have access to the Company Secretary and members of Senior Management. As provided in the Board Charter, Board Members may seek independent professional advice where necessary, at the Company's expense and at reasonable cost.

The Company Secretary assists the Board and provides support to the Chairman in ensuring that the Board functions effectively. This support includes the smooth running of Board meetings. The appointment and removal of the Company Secretary is decided and agreed by the Board as a whole.

## DIRECTORS' REMUNERATION

The Code states that the remuneration of Directors should be of a sufficient level to attract and retain high calibre Directors to successfully run the Company. For Non-Executive Directors, their remuneration should reflect their respective levels of experience, expertise and responsibilities.

Details of the Board's remuneration for the financial year ended 31 January 2011 are as follows:

Non-Executive Directors	RM'000
Fees	1,166*
Other Emoluments	158*
Benefits-in-Kind	24

Executive Director	RM'000
Salaries and other Emoluments	1,775
Bonus	1,870
Benefits-in-Kind	105

### Range of Directors' Remuneration Band

Non-Executive Directors	Number of Director
Below RM50,000	2
RM100,001 – RM150,000	3
RM150,001 – RM200,000	1
RM200,001 – RM250,000	2
RM350,001 – RM400,000	1

  

Executive Director	Number of Director
RM3,750,000 – RM3,800,000	1

(\* inclusive of Directors' fees and other emoluments payable for their directorships in subsidiaries of the SapuraCrest Group)

In accordance with Article 83 of the Company's Articles of Association, payment of fees for the Non-Executive Directors are effected only upon obtaining shareholders' approval at a general meeting of the Company.

### SHAREHOLDERS

From time to time, the Executive Vice-Chairman & President and Senior Management of SapuraCrest will meet institutional investors to discuss issues relating to the financial performance of the Company. These meetings are normally held upon requests made to the Management. As for individual investors, they are encouraged to participate in the Company's general meetings where reasonable time for discussions is always provided for. Moreover, investors and shareholders alike can always visit the Company's website at [www.sapuracrest.com.my](http://www.sapuracrest.com.my) for information on the SapuraCrest Group.

In addition to the above, the Board has identified Ms Gee Siew Yoong as the senior Independent Non-Executive Director to whom concerns from the shareholders can be conveyed. She may be contacted at [director-sc@sapuracrest.com.my](mailto:director-sc@sapuracrest.com.my).

### ACCOUNTABILITY AND AUDIT

In line with Part One of the Code, the Company's position and prospects are presented in a balanced and comprehensible manner. The report presented is by way of consolidated results at the end of each financial quarter, which is first tabled and deliberated by the Audit Committee before being forwarded to the Board for its approval prior to public release.

Under Best Practices provision BB III, the Code recommends that external auditors shall normally attend Audit Committee meetings. This recommendation is adopted by the Audit Committee by the regular invitations that it extends to the external auditors as well as Management to attend Audit Committee meetings. Further, in compliance with the recommendations of the revised Code, the Audit Committee met with the external auditors once during the financial year without the presence of Executive Directors and Management.

Details of the Audit Committee and its activities can be seen in pages 59 to 63 of the Annual Report.

The Board appreciates the need to establish formal and transparent arrangements to maintain an appropriate relationship with the Company's auditors, both internal and external. The Head of Internal Audit is present at all Audit Committee meetings, while external auditors, as mentioned above, are invited to attend meetings as and when necessary.

It is the Board's responsibility to ensure that the Company maintains a sound system of internal control to safeguard shareholders' investments and the Company's assets. For this purpose, the Company has in place a system of internal control to facilitate the management of risks within the Group. This is further elaborated in the Internal Control Statement set out in page 66 of this Annual Report.

The Company strives to achieve better financial performance through developing new business opportunities and expanding its services in the oil and gas industry. At the same time, the Board endeavours to practise good corporate governance to fulfill its responsibilities to its shareholders, stakeholders and investors at large.

