

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0099
COMPANY NAME : Scicom (MSC) Berhad
FINANCIAL YEAR : June 30, 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 CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Scicom (MSC) Berhad ("Scicom" or the "Company") assumes ultimate accountability and responsibility for the performance and affairs of the Company and its subsidiaries (collectively referred to as the "Group") and provides leadership for overall direction for the Group. The Board sets the strategic direction and monitoring the implementation of that strategy by the management team.</p> <p>The Board is responsible for delivering shareholders' value over the long-term, through the Group's culture, strategy, values and governance.</p> <p>The Board plays a critical role in setting the appropriate tone at the top and is charged with leading and managing the Group in an effective, good governance and ethical manner.</p> <p>In discharging its responsibilities, the Board had established an Audit and Risk Management Committee ("ARMC") and a Nomination and Remuneration Committee ("NRC") and delegated specific duties to the respective Board Committees according to their Terms of References to assist the Board to perform certain of its function and to provide recommendations and advices to the Board. The Board retains the ultimate responsibility for final decision on all matter lies with the Board.</p> <p>The roles and responsibilities of the Board are set out in the Board Charter. The roles and responsibilities of Board Committees in discharging their functions delegated by the Board are set out in their respective Terms of Reference.</p>
Explanation for departure	:	

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

Intended Outcome

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

Practice 1.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board of Scicom is led by Krishnan A/L C K Menon, an experienced Non-Executive Chairman.</p> <p>The roles and responsibilities of the Chairman of the Board, amongst others, include:</p> <ul style="list-style-type: none">• leading the Board in oversight of management and become a conduit between Management and the Board;• ensuring all members are able to contribute and undertake their responsibility effectively;• set the board agenda and ensure that quality information to facilitate decision-making is delivered to Board members on a timely basis;• encourage active participation and allow dissenting views to be freely expressed; and• ensuring effective communication with stakeholders.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the need to have a distinction of power and responsibilities between the Chairman of the Board and the Chief Executive Officer ("CEO").</p> <p>The position of Non-Executive Chairman is currently held by Krishnan A/L C K Menon who is primarily responsible for ensuring the Board's effectiveness whilst the position of CEO is helmed by Dato' Sri Leo Suresh Ariyanayakam.</p> <p>The CEO is responsible for the day-to-day operations and ensuring that the Group's policies and strategies as approved and adopted by the Board are implemented with the assistance of the Senior Management Team ("SMT").</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board of Scicom is supported by two (2) outsourced and qualified Company Secretaries namely, Ms Te Hock Wee and Ms Wong Wai Foong. Both the individuals fulfil the qualification requirements of a company secretary as enshrined in Section 235(2) of the Companies Act 2016.</p> <p>The Company Secretaries advise the Board and Board Committees in relation to the Company's Constitution, Board policies and procedures, and compliance with the relevant regulatory requirements including codes or guidance and legislation.</p> <p>The Company Secretaries ensure all Board and Board Committee meetings are properly organised and convened in a timely manner. The Company Secretaries also ensure that deliberations at Board and Board Committee meetings are well captured, minuted and documented.</p> <p>The Board has unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Directors are provided with the Board papers which are uploaded onto BoardPac at least five (5) working days prior to each Board meeting to enable the Directors to solicit further explanation and/or information, where necessary. Where a Director was unable to attend a meeting, they were provided with all the papers and information relating to that meeting and were able to discuss issues arising thereat directly with the Chairman of the Board and/or the CEO.</p> <p>The Board papers include, amongst others, periodical financial and strategic development, financial performance relating to business plan, operational matters, sustainability, financial and corporate issues as well as performance of the various business units. The minutes of meetings that record the decisions, including key decisions, rationale for decision made and any dissenting issues or concerns are circulated to all Board members within a reasonable timeframe after the meeting for review and approval.</p> <p>At each scheduled Board meeting, the CEO provides operational and financial updates. Depending on the nature of the proposal to be considered, other senior management executives are invited to make presentations or participate in Board discussions to ensure that Board decisions are supported by a full analysis of each proposal.</p> <p>From time to time and where necessary, the Directors, whether as a group or individually, with the consent of the CEO, are entitled to seek independent professional advice at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant the same. Board members are also accessible to SMT within the Group for information as and when required.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter is in place and last reviewed by the Board on 24 October 2019 in accordance with the needs of the Company and new regulations that may have an impact on the discharge of the Board's duties and responsibilities.</p> <p>The Board Charter has been incorporated the Group's governance system, documented policies that the Board has decided upon to meet, amongst others, its responsibilities, governance and leadership as a description tool of how the Board operates. The Board Charter and the Terms of Reference of the ARMC and NRC all are available on the Company's website at www.scicom-intl.com.</p> <p>There is a formal schedule of matters reserved to the Board for consideration and decision which is set out in the Board Charter and Schedule of Matters Reserved Document.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has a Code of Business Conduct and Ethics ("Code") which applies to Directors and employees of the Group. The Code sets out the Group's core value and business principles to guide standards of behaviour and business conduct when Directors and employees deal with third party and these are integrated into company-wide management practices. The Code covers, amongst others, the following matters:-</p> <ul style="list-style-type: none">• Conflicts of Interest• Confidential Information and Insider Trading• Anti-Corruption and Anti-Bribery• Compliance with the law• Safety & Health• Environment• Equal Opportunities• Constant Respect• Harassment• Protecting Company's Assets• Proprietary Information <p>The compliance with the Code is mandatory for all Directors and employees of the Group and where applicable, counterparts and business partners.</p> <p>The Code is available on the Company's website at www.scicom-intl.com.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised a Whistleblowing Policy that is applicable to all employees of the Group. The Whistleblowing Policy is to provide an avenue for all employees of Scicom to raise concerns about any improper conduct within the Group without fear of retaliation and to offer protection for such persons who report such allegations.</p> <p>Any employee who has knowledge or is aware that any improper conduct has been, is being, or is likely to be committed within Scicom is encouraged to make disclosure directly to either of the two designated Independent Non-Executive Directors who are members of the ARMC.</p> <p>The Whistleblowing Policy can be viewed on Scicom's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied	
Explanation on application of the practice	:	The current Board comprises eight (8) Board members with 5 out of 8 (62.50%) are Independent Non-Executive Directors. The composition of the Board has the appropriate mix of relevant skills, knowledge and industry experience required to lead and oversee the Group. The presence of majority Independent Directors allow Board’s deliberations and decisions to be made objectively in the best interest of the Company.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>With a view to achieve a sustainable and balanced development, the Board recognises the importance of boardroom diversity and values the benefits that diversity can bring to the Board.</p> <p>The NRC is responsible for ensuring that suitable candidates are admitted to the Board. In recommending the appointment of Directors, the NRC will consider, among others, boardroom diversity including gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. An inclusive culture helps the Group to respond to increasingly diverse global customer base. All appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board and workforce.</p> <p>In terms of senior management and employees' employment, the Company considers all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with appropriate experience and qualifications will be considered equally when recruiting new staff. There will be no preference given to male applicants for a position and will ensure that any women with appropriate experience and qualifications are considered equally in the recruitment and selection process.</p> <p>The Board, alongside the NRC, undertakes periodic reviews of the composition of the Board to ensure that they remain diverse.</p> <p>The current composition of the Board includes a diverse and relevant range of skills, backgrounds, knowledge and experience to ensure effective governance of the business. The members of the Board contribute across industry knowledge, international experience perspectives and specific subject matter expertise in a range of strategic, operational and financial aspects that are critical to the long- term success of Scicom.</p> <p>The appointment of senior management falls under the purview of the CEO who is aware that a diverse workforce allows the Group to be competitive.</p>

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

Intended Outcome

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

Practice 4.5

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Although the Company has not set any objectives applying specifically to the composition of the Board within a formal policy, the Board intends to continue with its current approach to diversity in all its aspects, while at the same time seeking Board members of the highest caliber, and with the necessary experience and skills to meet the needs of the Company and its shareholders.</p> <p>The Board views gender and cultural diversity among Board members as important considerations when reviewing its composition. The Board recognizes the challenges in achieving the right balance of diversity in the Company. This will be done over time, taking into account the present size, the valuable knowledge and experience and the evolving challenges to the Company over time.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board composition has not changed since February 2018 but has established procedures for the appointment of new Directors. In brief, the NRC identifies the set of skills and experience required and selects individuals to take Board positions on review of their individual merits, regardless of gender, race, religion and age.</p> <p>In sourcing for suitable candidates, the NRC does not solely rely on recommendations from the existing Directors or Management. The Board utilises variety of independent sources to identify suitably qualified candidates.</p> <p>In evaluating the suitability of candidates, the NRC to review their profile and curriculum vitae and considers, inter-alia, the competency, character, commitment (including time commitment), contribution and experience of the candidates in meeting the needs of the Company. In regards to the candidates for appointment as Independent Director, the NRC would assess the candidate's suitability based on the criteria on independence as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").</p> <p>The NRC also meets with the shortlisted candidates to assess their suitability before recommending them for appointment to the Board.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The NRC is chaired by Ms Karen Judith Goonting, an Independent Non-Executive Director. The NRC comprises exclusively three (3) Non-Executive Directors, as follows:-</p> <p>Ms Karen Judith Goonting (Chairperson) Dato’ Mohd Salleh Harun (Member) Puan Mahani Binti Amat (Member)</p> <p>The Board recognises the need for Chairman of NC to be independent to ensure objectivity and independent judgement during deliberations.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The NRC conducted internally facilitated Board assessment via questionnaires on yearly basis. Each Director is required to complete a set of questionnaires and the aggregate responses were tabled to and reviewed by the NRC. The NRC will subsequently table the outcome to the Board for consideration and action.</p> <p>During the year under review, the NRC had conducted a formal and objective internal annual assessment of the Board, Board Committees, individual Directors and level of independence of Independent Directors. The evaluation process was based on self and peer assessments and the assessment results had been deliberated and presented to the Board at the Board meeting held on 28 August 2019.</p> <p>Based on the recent assessment, the NRC concluded that the Board and its Committees have the right balance, size and composition in terms of mix of skills, knowledge, experience and professional background and the Directors (individually and collectively) have discharged their respective roles and responsibilities effectively.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has in place a remuneration framework (which covers all aspects of remuneration) for the Directors and the key senior management personnel. The objective of the Group's remuneration policies is to provide fair and competitive remuneration to its Board and key senior management personnel. The Board acknowledges that remuneration is a key ingredient in attracting, retaining and motivating talented and high-caliber individuals that can successfully run and manage the business.</p> <p>Based on the remuneration framework, the remuneration packages for the Executive Directors and key senior management personnel comprise a fixed component (in the form of a base salary and, where applicable, fixed allowances determined by the remuneration and benefit policies) and variable components (which would normally comprise bonuses) together with benefits-in-kind, if any. Non-Executive Directors' remuneration reflects the experience and level of responsibilities undertaken by individual Non-Executive Directors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has established a NRC which comprises wholly of Non-Executives Director. The Terms of Reference of the NRC sets out the roles and responsibilities of the NRC in relation to remuneration matters. The NRC Terms of Reference is available on the Company's website.</p> <p>The Board is satisfied that the NRC had discharged its duties and responsibilities with respect to Directors' remuneration including reviews of the remuneration package for the Executive Director of the Company.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The details of the remuneration of Directors of the Company comprising remuneration received/ receivable from the Company and subsidiary companies during the financial year ended 30 June 2019 are disclosed in Corporate Governance Overview Statement of the Annual Report 2019.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is of the view that it is not in the interest of the Company to disclose the detailed remuneration of Senior Management on a named basis given the highly competitive market for similar talents in the industry.	
		The remuneration of the key management of the Company and in Group basis is set out in Note 7 of the Audited Financial Statements for the financial year ended 30 June 2019.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Chairman of the ARMC is Dato' Nicholas John Lough. Having the positions of Chairman of the ARMC assumed by different individuals, it allows the Board to objectively review the ARMC's findings and recommendations.</p> <p>Dato' Nicholas John Lough is a member of the Malaysian Institute of Certified Public Accountants and a Fellow of the Institute of Bankers. His profiles could be found in the Annual Report 2019.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The NRC will observe a cooling off period of two (2) years in the event any potential candidate to be appointed as a member of the ARMC was a key audit partner.</p> <p>To date, the Company has not appointed any former key audit partner either as a Director or as an employee.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The ARMC on an annual basis, assesses the performance, suitability and independence of external auditors before recommending their re-appointment as the Company's External Auditors.</p> <p>The ARMC had assessed and was satisfied with the competence, audit quality, resource capacity of the external auditors, PricewaterhouseCoopers PLT in relation to the audit services provided. From the assessment, the ARMC is also satisfied that there was no threat to the objectivity and independence of the audit arising from the provision of non-audit services of the external auditors and the total fee incurred for non-audit services is not significant.</p> <p>Based on the assessment results, the ARMC has recommended to the Board for the shareholders' approval to be sought on the re-appointment of the external auditors at the forthcoming 17th Annual General Meeting ("AGM").</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The current members of the ARMC possess a range of skills and the requisite financial literacy to discharge its duties effectively. The qualification and experience of the individual ARMC members are disclosed in the Annual Report.</p> <p>All members of the Board, including members of the ARMC are encouraged to undertake continuous professional development by attending trainings, workshops, seminars or briefings at the Company's expense to keep abreast with relevant industry developments including accounting and auditing standards, business practices and rules, as well as statutory and regulatory requirements. Details of the trainings are disclosed in the section of "Training and Development of Directors" of the Corporate Governance Overview Statement.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has established a framework to formulate and review risk management policies and internal control framework. Further details is presented in the:-</p> <ul style="list-style-type: none">• Statement on Risk Management and Internal Control; and• ARMC Report. <p>The Board, as a whole would continue to monitor and review the effectiveness and adequacy of the Group’s risk management and risk appetite to ensure they continue to be resilient and reliable.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has established a framework to review and manage significant risks to the Group.</p> <p>The Board, assisted by ARMC reviews risk management and internal control issues identified by the internal and external auditors. The ARMC also monitors and assess the risk appetite and risk tolerance of the Group, so as to safeguard the shareholders’ investment and the Group’s assets.</p> <p>Further information on the Group’s risk management and internal control framework is presented in the Statement on Risk Management and Internal Control of the Annual Report 2019.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The ARMC of the Company is responsible for monitoring and reviewing the effectiveness of the Group's internal audit function.</p> <p>The Group's internal audit function is carried out by an independent professional service firm who reports directly to the ARMC. The Internal Auditors undertake an independent assessment on the internal control of the Group on a quarterly basis and provide assurance to the ARMC that no material issue or major deficiency has been noted which would pose a high risk to the overall system of internal control under review. Details of the internal audit function is set out in the Statement on Risk Management and Internal Control and ARMC Report.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose—

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

Application	:	Applied
Explanation on application of the practice	:	<p>The internal audit function is outsourced to Axcelasia Columbus Sdn Bhd. The Engagement Director is En. Noradlan Abdul Latif who has diverse professional experience in internal audit, risk management and corporate governance advisory. He is a Member of the Institute of Internal Auditors Malaysia and a member of Malaysian Institute of Accountants. En. Noradlan has a Certification in Control Self – Assessment (United States) from IIA and a Bachelor's Degree in Accounting from University Utara Malaysia.</p> <p>The number of staff deployed for the internal audit reviews is ranging from three (3) to four (4) staff per visit including the Engagement Director. The staff involved in the internal audit reviews possesses professional qualifications and/or a university degree. Certain staff are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence, and the internal audit reviews were conducted using a risk based approach and were guided by the International Professional Practice Framework.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of effective and timely communication with shareholders and investors to keep them informed on the Group's latest business and corporate developments. Such information is disseminated via the Group's annual reports, quarterly financial results and through various disclosures via the Group's website as well as the official website of Bursa Malaysia Securities Berhad.</p> <p>The Board also believes that a constructive and effective investor relationship is an essential factor in enhancing value for its shareholders. However, whilst the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.</p> <p>The AGM is the principal forum for dialogue with shareholders, who are given the opportunity to enquire and seek clarification on the operations and financial performance of the Group. The Board's primary contact with major shareholders is via the Executive Director/CEO and Chairman, who have regular dialogue with institutional investors and deliver presentations to analysts periodically.</p> <p>Scicom's website www.scicom-intl.com provides shareholders and the public to access corporate information, financial statements, news and events related to the Group on a timely basis.</p> <p>Shareholders and investors can also forward their enquiries about the Company via email: business@scicom.com.my any time throughout the year.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable as the Company is not a Large Company as defined under the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The 2019 AGM is to held on 25 November 2019 and the Notice convening the AGM was sent to shareholders on 25 October 2019, which was 28 days’ notice prior to the 2019 AGM.</p> <p>In addition to sending the notice, the Company also published the AGM Notice on its website. Under the Companies Act 2016 and the MMLR, an AGM should be called by giving at least 21 days’ notice of the meeting. Nevertheless, the Board will provide 28 days’ notice for its AGM as the Board believes that it is beneficial for the shareholders as they will get sufficient time to make an informed decision regarding the AGM business agenda of the Company.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	All the Directors (except for Datuk Joseph Dominic Silva) attended the last AGM held on 22 November 2018 to provide meaningful responses to questions raised.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company does not have a large number of shareholders. The Company’s AGM has always been held at a location that is central and easily accessible by shareholders and at a convenient time.</p> <p>The 16th AGM was held at Sime Darby Convention Centre. This venue was easily accessible and familiar to most shareholders of the Company since several past AGMs were held at the same venue.</p> <p>In addition, shareholders are allowed to appoint proxies to attend, speak and vote in their stead at a general meeting if they are unable to attend in person.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT 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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