

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors ("Board") of Sarawak Consolidated Industries Berhad ("SCIB" or "the Company") supports high standards of corporate governance practices as stipulated in the Principles and Recommendations of the Malaysian Code on Corporate Governance ("MCCG") which was released on 26 April 2017, in implementing its governance system and ensuring compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board acknowledges its fundamental responsibility to promote and drive long term sustainable growth, whilst taking into account the interests of the investors and all other stakeholders.

The Board is pleased to present an overview of the Corporate Governance Statement, which provides key highlights on how the Company complies with the three (3) principles of the MCCG 2017 during the financial year ended 31 December 2019, which are as follow:

1. Principle A: Board Leadership and Effectiveness
2. Principle B: Effective Audit and Risk Management
3. Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

This statement was approved by the Board of Directors on 27 April 2020 and is complemented with a Corporate Governance Report ("CG Report") based on a prescribed format pursuant to paragraph 15.25 of the Listing Requirements of Bursa Securities.

The CG Report is available on the Company's website as well as via announcement on the website of Bursa Securities.

As at 31 December 2019, the Company complied in most of the material aspects with the principles as set out in the MCCG.

The Company has applied twenty-eight (28) of thirty-six (36) recommended practices of MCCG, which 2 recommended practices are not applicable. In addition, the Company has applied 2 to 4 Step-Up recommended practices.

A summary of the corporate governance practices as well as the Board's key focus areas in relation to the the corporate governance practices are as described below, under each corporate governance principle.

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is responsible for the effective leadership and long-term success of the Company.

The Board Members, in discharging their duties are constantly mindful that the interests of our customers, investors and all other stakeholders are well safeguarded.

The Board has formally adopted a Board Charter, which outlines the roles and responsibilities of the Board and those which it delegates to the various Board Committees.

The Board is responsible for formulating and reviewing the Company's strategic plan and key policies, and to chart the course of the Company's business operations while providing effective oversight of the Management's performance as well as the risk management procedures and key controls.

The principal responsibilities of the Board include the following:

- Formulates the Company's annual business plan and the medium-term and long-term strategic plans;
- Approves the Company's annual budget and carries out periodic review of the progress made by the various operating divisions against their respective business targets;
- Prescribes the minimum standards and establishes policies on the management of risks and other key areas of the Company's operations;
- Oversight of the Company's business operations and financial performance;
- Ensures the operating infrastructure, system of controls, systems of risk management, financial controls and operational controls, are in place and properly implemented; and
- Undertakes various functions and responsibilities as required from time to time.

In furtherance, the Board also delegated specific tasks to the Board Committees namely the Audit Committee, Remuneration & Nomination Committee and Risk Management Committee.

All the Board Committees have their own terms of reference to deal with particular issues and report back to the Board with the necessary recommendation, if any.

The Board Committees comprise majority of independent Non-Executive Directors which are able to provide diverse perspectives and insights supporting the Board to make decision objectively.

The ultimate approval still lies with the entire Board and certain Board functions are also delegated to the Management and the Board ensures Management is of the highest caliber.

The Directors are at liberty to seek independent professional advice on matters relating to the discharge of their duties and the cost of securing such professional services will be borne by the Company.

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2. Board Composition

As at the date of this Report, the Board consists of seven (7) members, of whom two (2) are Non-Independent Non-Executive Directors, four (4) are Independent Non-Executive Directors and one (1) is an Executive Director, as follow, which complies with Paragraph 15.02 of the Listing Requirements of Bursa Securities, which requires at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, to be independent:

No.	Name Of Directors	Designation
1	YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	Non-Independent Non-Executive Chairman
2	Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir	Non-Independent Non-Executive Director
3	YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	Independent Non-Executive Director
4	YBhg. Datu Haji Soedirman Bin Haji Aini	Independent Non-Executive Director
5	Encik Shamsul Anuar Bin Ahamad Ibrahim	Independent Non-Executive Director
6	Encik Sr. Mohd Nazri Bin Mat Noor	Independent Non-Executive Director
7	Encik Rosland Bin Othman	Group Managing Director / Chief Executive Officer / Executive Director

The profile of each Director is disclosed in the Directors' Profile of this Annual Report.

The Non-Executive Chairman is primarily responsible for the leadership and management of the Board, ensuring the Board and Board Committees execute their responsibilities in the best interest of the Company.

The Company's Non-Independent Executive Director which is also the Group Managing Director / Chief Executive Officer is responsible for providing the vision and strategic direction of the Company and to formulate appropriate corporate strategies and develop the business.

He is also involved in all day-to-day management and for leading the development and execution of the Company's long and short-term plans.

He acts as a direct liaison between the Board and the Management and communicates on behalf of the Company to the Board, shareholders, employees, Government Authorities and other stakeholders.

The Independent Non-Executive Directors play a significant role in bringing impartiality and scrutiny to the Board's deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective manner.

To further enhance the function of the Independent Non-Executive Directors, the Board has also defined their roles and responsibilities to include the following:

- Provides independent and objective views, assessment and suggestions in deliberations of the Board;
- Ensures effective check and balance in the proceedings of the Board;
- Mitigates any possible conflict of interest between the policy-making process and day-to-day management of the Company; and
- Constructively challenge and contribute to the development of the business strategies and direction of the Company.

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The Independent Non-Executive Directors do not engage in the day-to-day management of the Company and do not participate in any business dealings and are not involved in any other relationship with the Company.

This ensures that the Independent Non-Executive Directors remain free of conflict of interest situations and execute their roles and responsibilities effectively.

The members of the Board possess wide-ranging experiences, skills and expertise in accounting, economics, engineering and business management and are persons of high caliber and integrity, which give added strength to the leadership which is necessary for the effective stewardship of the Company.

The Board is confident that there are sufficient experienced and independent-minded Directors on the Board to provide sufficient check and balance.

Given that there are four (4) experienced Independent Directors representing more than 50% of the Board, the Board collectively would be able to function independently of management.

This allows for effective oversight of the management as well as to support objective and independent deliberation, review and decision making.

None of the Independent Non-Executive Directors hold office for more than nine (9) years under the reporting period.

The Board is well aware that the tenure of an independent director should not exceed a cumulative term of nine (9) years as recommended by the MCCG.

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.

The NRC and the Board also noted that pursuant to the MCCG, the Board may provide justifications and seek shareholders' approval in the event there is intention to retain a Director who has served a cumulative term of nine (9) years as an Independent Director.

The Board views that Board membership is dependent on each candidate's skills, experience, core competencies and other qualities, regardless of gender.

The Remuneration & Nomination Committee have assessed the Board's size and composition and was satisfied that the Board's size is appropriate given the scale of the Company's business and operations and the composition well balanced with the right mix of diverse knowledge, skills and attributes constituting an effective Board able to discharge its duties professionally and efficiently.

Directors' Code of Ethics

The Directors observed a code of ethics in accordance with the code of conduct as set out in the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

Board Meetings & Supply of Information

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year to facilitate the Directors to plan ahead and organise the next financial year's Board meetings into their respective schedules.

The Board holds meetings of no less than four (4) times a year as soon as the Company's quarterly and annual results are finalised in order to review and approve the results for submission to Bursa Securities and the Securities Commission.

Special Board meetings may be convened to consider urgent proposals or matters that require the expeditious review or consideration by the Board.

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The minutes of the Board meetings were circulated to all Directors for their perusal and comments.

The Directors may request for further clarification or raise comments on the minutes prior to the minutes being confirmed as a correct record of the proceedings of the Board at the subsequent meeting.

At the Board meetings, the Board reviews management reports on the business performance of the Company as well as the major subsidiaries, and reviews, inter-alia, the results compared to the preceding month and year-to-date, and also the comparison against pro-rated business targets.

As part of the integrated risk management initiatives, the Board also notes the decisions and salient issues deliberated by the Board Committees and the Management Committees through minutes of the Committees' meetings.

The Board Members deliberate, and in the process, assess the viability of business propositions and proposals, and the principal risks that may have significant impact on the Company's business or on its financial position, and the mitigating factors.

The Board also assesses various types of propositions and matters that are required to be submitted to the Board for concurrence or approval, in accordance with the guidelines issued by the Board.

The Chairman of the Audit Committee would inform the Directors at Board meetings, of any salient matters noted by the Audit Committee and which require the Board's notice or direction.

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance to a structured agenda.

For effective Board proceedings, the Directors would receive the structured agenda together with comprehensive management reports and proposal papers at least five (5) business days before the Board meeting, which is in accordance to MCCG.

This is to accord sufficient time for the Directors to peruse the Board papers and to seek any clarification or further details that they may need from the Management or the Company Secretary, or to consult independent advisers, if they deem necessary.

The Company has appointed qualified Company Secretary as required pursuant to the Companies Act 2016.

The Company Secretary is a fellow member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

She is competent in carrying out her work and plays supporting and advisory roles to the Board with the assistance of the Management.

She ensures adherence and compliance to the procedures and regulatory requirements from time to time.

Confidential papers or urgent proposals are presented and tabled at the Board meetings under supplemental agenda.

The Board meeting papers are prepared and presented in a concise and comprehensive format to ensure that the Directors have a complete and relevant depiction of the issues in order that the Board deliberation and decision-making are performed systematically and in a well-informed manner.

The directors remain fully committed and dedicated in fulfilling their duties and responsibilities as reflected by their attendance at Board meetings during the financial year, in which details of the number of Meetings held and the attendance of each Director can be found in the Report on Directors' Profile in this Annual Report.

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Training & Development of Directors

All Directors have attended the Mandatory Accreditation Program ("MAP") and the Directors have continued to attend seminars and briefings during the financial year in order to enhance their skills and knowledge, and to keep abreast with changing commercial risks in line with market and economic developments.

The Directors are also provided with the Board Policy Manual that contained information including but not limited to the structure of the Company, management and the operation as well as the Directors' duties and obligations.

The Directors also keep up-to-date with market developments and related issues through discussion meetings with the other Senior Management Officers.

These provide the platforms to disseminate emergent strategic directions and ideas as well as intellectual interactions which enhance the knowledge and relevance of the Directors.

The Company's Human Resources Department facilitates the organisation of internal training programmes and Directors' attendance in external programmes.

The details of directors' training participated during the financial year are highlighted in the Directors' Profile report herein this Annual report.

Time Commitment of Directors

Directors are at liberty to accept other Board appointments so long as such appointments are not in conflict with the business of the Company and do not adversely affect the Directors' performance and contributions as a member of the Board and Board Committee.

Re-Appointment and Re-Election of Directors

The Remuneration & Nomination Committee will consider and recommend to the Board for the continuation in service of those Directors who are due for re-election/re-appointment.

The Constitution of the Company provides that at its every annual general meeting, one-third of Directors for the time being and those appointed during the financial year shall retire from office and shall be eligible for re-election.

The Constitution further provides that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The re-appointment and re-election of Directors at its annual general meeting is subject to the prior assessment by the Remuneration & Nomination Committee and the recommendations thereafter submitted to the Board for approval or the Director concerned to continue to hold office.

The Board does not fix a maximum tenure limit for Directors as the Board is of the view that there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's affairs.

The Board is of the view that there is no need to set a time-frame on how long an Independent Director should serve on the Board in view of the following reasons:

- The ability of a Director to serve effectively as an Independent Director is very much a function of his calibre, qualification, experience and personal qualities, and has no compelling relationship to his tenure as an Independent Director; and
- The Board conducts annual assessment of Independent Directors in respect of inter-alia their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement.

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Board Committees

To assist the Board in discharging its duties, the Board has established several Board Committees whose compositions and terms of reference are in accordance with the best practices.

The functions and terms of reference of Board Committees as well as authority delegated by the Board to these Committees, were approved by the Board, and are reviewed from time to time to ensure that they are relevant and up-to-date.

The Board Committees of the Company are as follow:

- Audit Committee
- Remuneration & Nomination Committee
- Risk Management Committee

Details of the Board members' membership in the various Board Committees are set out as below:

No.	Name of Directors	Audit Committee	Remuneration & Nomination Committee	Risk Management Committee
1	YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	-	Chairman	-
2	YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	Member	Member	Member
3	YBhg. Datu Haji Soedirman Bin Haji Aini	Member	-	Chairman
4	Encik Shamsul Anuar Bin Ahamad Ibrahim	Chairman	Member	Member
5	Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir	-	-	-
6	Encik Sr. Mohd Nazri Bin Mat Noor	-	-	-
7	Encik Rosland Bin Othman	-	-	-

All proceedings, matters arising, deliberations in terms of the issue discussed, and recommendations made by the Board Committees at the Committees' meetings are recorded in the minutes by the Company Secretary, confirmed by the Board Committees, signed by the Chairman of the said Committees.

Upon invitation, Management representatives were present at the Board Committees' meetings to provide additional insight into matters to be discussed during the said committee meetings, if so required.

All the Board Committees do not have executive powers but to report to the Board on all matters considered and their recommendations thereon.

Audit Committee

The terms of reference of the Audit Committee are set out under the Audit Committee Report in this Annual Report and further details are disclosed under Principle B: Effective Audit and Risk Management in this Statement.

The Audit Committee meets at least four (4) times a year.

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Remuneration & Nomination Committee

The Remuneration & Nomination Committee will recommend candidates for all directorships to be filled to the Board.

Any new Director will undergo a familiarisation programme, which includes presentation of an overview of the Company's profile, products, factories and track records to facilitate the new Directors' understanding of the Company.

The Company Secretary will ensure that all appointments of new Director are properly carried out and all legal and regulatory obligations are met.

The Remuneration & Nomination Committee comprises three (3) Non-Executive Directors, the majority of whom are independent.

Meetings of the Remuneration & Nomination Committee are held as and when required, and at least once a year.

The Remuneration & Nomination Committee will recommend the proposed appointment of a new Director and the re-appointment of Directors upon the expiry of their respective tenures of office for approval of the Board.

The Remuneration & Nomination Committee had also reviewed the Board Members' directorships in companies other than the Company; the number of directorships held are well within the restriction of not more than five (5) directorships in public listed companies as stated in the Main Market Listing Requirements of Bursa Securities.

All assessments and evaluations carried out by the Remuneration & Nomination Committee in the discharge of all its functions shall be properly documented.

The Remuneration & Nomination Committee and the Board shall assess the independence of all independent directors annually.

In 2019, the Remuneration & Nomination Committee carried out the annual review of the overall remuneration policy for Directors and key Senior Management Officers and recommended to the Board for approval.

The Remuneration & Nomination Committee and the Board ensure that the Company's remuneration policy remains supportive of its corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors and key Senior Management Officers are sufficiently attractive to draw in and to retain persons of high caliber.

The Remuneration & Nomination Committee reviews annually the performance of the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which are competitive and are in tandem with the Company's corporate objectives, culture and strategy.

The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration.

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Risk Management Committee

Among others, the Risk Management Committee has the following roles & responsibilities:

- a. Develop and recommend the Group's risk policies and objectives aligned with its strategic business objectives;
- b. Communicate Board's risk policies, objectives, responsibilities, and reporting lines;
- c. Identify and communicate to the Board on all risks (present and potential) the Group faces, its changes and management action plans to manage those risks;
- d. Perform risk oversight and review of risk profiles of the Group and regularly review business units' risk management processes;
- e. Provide guidance to business units of the Group's and its risk appetite and capacity, and other criteria which, when exceeded, trigger an obligation to report upward to the Board;
- f. All other risk management matters delegated by the Board.

More information about the activities of the Risk Management Committee is set out in the Statement on Risk Management & Internal Control.

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Remuneration

The remuneration of the Executive Director is structured to link rewards to the Company and individual performance.

As for Non-Executive Directors, the level of remuneration reflects mainly on their experience, qualification and competence of the Non-Executive Director concerned.

The Non-Executive Directors are remunerated with Directors' fees which are subject to shareholders' approval at the AGM annually.

In recommending the proposed Directors' fees, the Remuneration & Nomination Committee takes into consideration the qualification, duty and responsibility, and contribution required from a Director in view of the Company's complexity, and also the market rate among the industry.

The Directors are paid annual fees and meeting allowance for each Board meeting that they attend.

The disclosure of the remuneration of individual Directors of the Company on named basis for the financial year ended 31 December 2019 is set out as below:

No.	Name Of Directors	Salaries Rm	Fees Rm	Meeting Allowances & Other Emoluments Rm	Total Remuneration Rm
EXECUTIVE DIRECTOR					
1	Encik Rosland Bin Othman <i>Appointed on 1 October 2019</i>	134,310	-	67,558	201,868
NON-EXECUTIVE DIRECTOR					
2	YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak	-	30,000	9,500	39,500
3	YBhg. Datu Haji Soedirman Bin Haji Aini	-	30,000	11,200	41,200
4	Encik Shamsul Anuar Bin Ahamad Ibrahim	-	30,000	17,000	47,000
5	YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah <i>Appointed on 1 August 2019</i>	-	29,000	10,000	39,000
6	Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir <i>Appointed on 1 October 2019</i>	-	22,500	-	22,500
7	Tuan Haji Zaidi Bin Haji Ahmad <i>Resigned on 9 August 2019</i>	-	18,226	6,720	24,946
8	YBhg. Tan Sri Datuk Amar (Dr.) Hamid Bin Bugo <i>Resigned on 1 October 2019</i>	-	72,000	17,400	89,400
9	Encik Rewi Hamid Bugo <i>Resigned on 1 October 2019</i>	64,839	17,500	21,788	104,127
TOTAL		199,149	249,226	161,166	609,541

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PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

The terms of reference of the Audit Committee are set out under the Audit Committee Report in this Annual Report.

The Audit Committee meets at least four (4) times a year.

Relationship with the External Auditors

The Audit Committee has in place policies and procedures to review and assess the appointment or re-appointment of the external auditors in respect of their suitability, objectivity and independence.

The Audit Committee in this regard assesses and reviews annually among others, the adequacy of their experience and resources, their audit engagements and the experience of the engagement partners and staff in accordance with the requirements of the Company.

The Audit Committee also meets with the external auditors without the presence of the Management to enable the Audit Committee to discuss matters privately with them.

There have not been any non-audit services that have compromised their independence as external auditors of the Company.

The external auditors, Crowe Malaysia PLT, are registered with Audit Oversight Board of the Securities Commission.

Through the Audit Committee, the Company has established a formal and transparent relationship with the external auditors.

2. Risk Management & Internal Control

The Board acknowledges their responsibility for the Company's system of risk management and internal control, which is designed to identify and manage the risks of the businesses of the Company, in pursuing of its objectives.

The system of risk management and internal control spans over financial, operational and compliance aspects, particularly to safeguard the Company's assets and hence shareholders' investments.

In executing this responsibility, the Board via the Audit Committee, Risk Management Committee and the outsourced internal audit function, has adopted procedures to monitor the ongoing adequacy and integrity of the system of risk management and internal control.

Information on the Company's system of risk management and internal control is presented in the Statement on Risk Management and Internal Control in this Annual Report.

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PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Communication with Stakeholders

We maintain a regular policy of disseminating information that is material for shareholders' information via announcements made to Bursa Securities.

In compliance with the Main Market Listing Requirements of Bursa Securities, the Company also releases timely financial information on a quarterly basis, which includes an overview of the performance of the Company.

In addition, the Company also put in place electronic facility to enable communication with shareholders via its website which shareholders can access to and obtain all information (operational, financial, corporate governance and investor relations aspects) on the Company by accessing this website.

All announcements made by the Company and information that are relevant to the shareholders and investors are available in this website.

The Company had its Investors briefing on 2 December 2019, 4 February 2020 and 3 March 2020 which gave us the opportunity to share about our business profile, products, recent developments and future prospects with research analysts, fund managers and their sales team.

Investors briefing creates valuable opportunity for the Company to meet with research analyst and fund managers to share our business updates that are relevant to the analyst coverage area and provide information for their research paper.

2. Conduct of General Meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue with shareholders who are encouraged and given sufficient opportunity to enquire about the Company's activities and prospects as well as communicate their expectations and concerns.

Each item of special business included in the Notice of Annual General Meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate evaluation of the proposed resolution.

Shareholders are encouraged to put forward their questions on the proposed resolutions tabled at the general meetings.

Members of the Board, the external auditors, senior management and/or advisers of the Company are present to answer queries raised at the general meetings.

Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, the Company is required to ensure that any resolution set out in the notice of general meetings is voted by poll.

Hence, all the resolutions tabled at the forthcoming 44th AGM to be held on 18 June 2020 will be voted by way of a poll.

The shareholders will be briefed on the voting procedures while the results of the poll will be verified by an Independent Scrutineer.

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KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board is satisfied that the Company has maintained high standards of corporate governance and strived to achieve the highest level of integrity and ethical standard, in all its business dealings.

Moving forward, the Board will continue to operationalise and improve the Company's corporate governance practices and instil a risk and governance awareness culture and mindset throughout the organisation in the best interest of all stakeholders.

This Statement was approved by the Board on 27 April 2020.