

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7207
COMPANY NAME : Success Transformer Corporation Berhad
FINANCIAL YEAR : June 30, 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

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 Directors of Success Transformer Berhad (“STC” or “Company”) (“Board”) is responsible for formulating and reviewing the strategic direction and management of STC and its subsidiaries (“Group”) and the provision of leadership and guidance for setting the strategic direction of the Group.</p> <p>The Board also assumes the following duties and responsibilities:</p> <p>(a) Review and adopt a strategic plan for the Company, addressing the sustainability of the Company's business policies and performance and ensure they fit in with the Company's overall business strategy</p> <p>The Board approves the strategic plan and ensures that the necessary resources are in place for the Company to meet its objectives.</p> <p>(b) Overseeing the conduct of the Company's business includes supervision and assessment of management's performance to determine whether the business is being properly managed</p> <p>(c) Identifying principal risks faced by the Group and ensuring the implementation of appropriate systems to manage and mitigate these risks</p> <p>The Board through the Risk Management Committee develops, executes and maintains the risk management system to ensure that the Company's corporate objectives and strategies are achieved within the acceptable risk appetite of the Company.</p> <p>(d) Succession planning, including appointing and training, replacing Directors</p>

	<p>The Nomination Committee is responsible for making recommendations for the appointment of Directors to the Board, by considering the criterias such as mix of skills, experience and knowledge.</p> <p>(e) Overseeing the development and implementation of a shareholder communication policy</p> <p>The Board ensures the highest standards of transparency and accountability in the disclosure of pertinent information to its shareholders.</p> <p>(f) Reviewing the adequacy and integrity of the Group's internal control management information system</p> <p>The Board through the Audit Committee reviews the adequacy and integrity of the Company's financial and non-financial reporting including reviews of the appropriateness of accounting policies, internal controls and key risks of the Company.</p> <p>All members of the Board are aware of their responsibility to make decisions objectively and which promote the success of the Group for the benefits of shareholders and other stakeholders. The roles and responsibilities of the Board which are set out in the Board Charter, serves as a reference point for Board activities. The Board Charter is available on the Company's website at www.stcgroup.com.my.</p> <p>The Board has delegated to the Managing Director ("MD") the daily management of the Group's affairs. The MD leads the senior management of the Group in making, implementing and managing the day-to-day decisions of the business operations, the Group's resources and the associated risks involved in pursuing the Group's corporate objectives. The MD is assisted by the Executive Director ("ED"), who himself is also responsible for certain specific areas of the Group's operations.</p> <p>The MD, ED and the management meet regularly to review and monitor the performance of the Group's operations. The MD briefs the Board on the Group's business operations and management's initiatives during its quarterly Board meetings.</p> <p>Independent Non-Executive directors are not involved in the daily management of the Group but contribute their own particular expertise and experience in the development of the Group's overall business strategy. Their participation as members of the various Board Committees also contributed to the enhancement of corporate governance and controls of the Group.</p> <p>To enable the Board to discharge its role and functions effectively, the Board has established the following committees ("Board Committee(s)"): </p> <p>(a) Audit Committee (b) Nomination Committee</p>
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	<p>(c) Remuneration Committee (d) Employees' Share Option Scheme ("ESOS") Committee</p> <p>Each of the Board Committee operates within its respective terms of reference ("TOR") that also outlines its respective functions and authorities. The TOR of the respective Board Committee are yearly reviewed by the Board Committee and approved by the Board to ensure that the TOR remains relevant and adequate in governing the responsibilities of the Board Committees and reflects the latest developments in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the Malaysia Code on Corporate Governance 2017 ("MCCG 2017"). These Board Committees have the authority to report to the Board with their recommendations.</p>
<p>Explanation for departure</p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>:</p>
<p>Timeframe</p>	<p>:</p>

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 Chairman, Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak is responsible for the leadership, effectiveness, conduct and governance of the Board. In fulfilling this role, the Chairman:</p> <ul style="list-style-type: none"> (a) Leads the Board in establishing and monitoring good corporate governance practices in the Company (b) Leads the Board and ensure effectiveness in all aspects of its role. (c) Ensure an efficient organisation and conduct of the Board's function and meetings. (d) Facilitate the effective contribution of all Directors at Board Meetings. (e) Chairs Board meetings and encourages active participation and allowing dissenting views to be freely expressed and discussed. (f) Chairs general meetings of the Company and provides clarification on issues that may be raised by the shareholders. (g) Promote constructive and respectful relations between Directors, and between the Board and Management of STC. (h) Ensure effective communication with shareholders and relevant stakeholders. <p>The roles and responsibilities of the Chairman of the Board is set out in the Board Charter which is available on the Company's website at www.stcgroup.com.my.</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

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and Managing Director "MD" (whom has similar duties of a CEO) are held by two different individuals. The Chairman, Tan Sri Dato' Ahmad Fuzi Bin Hj Abdul Razak leads the Board in establishing and monitoring good corporate governance practices in the Company as well as ensures effective operation of the Board whereas the MD Tan Ah Bah @ Tan Ah Ping, manages the business operations and strategic vision of the Company and ensures effective implementation of the Board's decisions/ policies.</p> <p>The distinct and separate roles and responsibilities of the Chairman and MD are provided in the Board Charter, which is available on the Company's website at www.stcgroup.com.my.</p> <p>The distinct and separate roles of the Chairman and MD, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretary namely Ms Chua Siew Chuan and Ms Tan Loo Ee is a qualified company secretary under Section 235(2)(a) of the Companies Act 2016.</p> <p>The Company Secretary provides support to the Board and Board Committees including but not limited to the following areas:</p> <ul style="list-style-type: none">• Advise the Board with regards to the MCCG 2017, Listing Requirements, Companies Act 2016, TOR of the Board Committees, Board Charter and the consequential application, disclosure and compliance requirements.• Managing the logistics of Board and Board Committee Meetings. Attendance and minutes are properly recorded and kept by the Company Secretary. The Company Secretary ensures that deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to the relevant members of Management for appropriate actions.• Facilitating the orientation of new Directors and assisting in Directors' training and development.• Managing the process of the Annual General Meeting ("AGM") by ensuring the due processes and proceedings are in place and properly managed. The Company Secretary will assist the Chairman and the Board to conduct the meeting and ensure the minutes are properly recorded, particularly the questions raised by the shareholders.• It is also the responsibility of the Company Secretary to keep abreast of current governance practices and update the same to the Board. Ms Pang Kah Man attends relevant continuous professional development programmes mandated by Companies Commission of Malaysia and keeps the Board updated on relevant developments, either in writing or briefing at the Board meetings. All Board members are entitled to unlimited and unrestricted access to the professional advice and services of the Company Secretary.

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>To facilitate the Directors' time planning, a pre-scheduled annual calendar of Board meetings is circulated and confirmed by the Board at the beginning of each calendar year to provide ample time for the Directors to plan their attendance.</p> <p>The notice of meetings and agenda are circulated to the Directors electronically at least one week in advance and Board meeting papers are delivered to the Directors electronically at least five business days prior to Board meeting. This enables the Directors to prior peruse the matters to be deliberated upon, and if necessary, further information is provided at the meeting for deliberation and informed decision making. Senior Management staff may be invited to attend Board meetings to provide further details, clarifications and/or advise the Board as and when required on matters to be deliberated.</p> <p>The Board meeting papers include, among others, the following documents or information:</p> <ul style="list-style-type: none">• Reports of meetings of all committees of the Board including matters requiring the Board's deliberation, approval and notation• Performance reports of the Group, which include information on financial, strategic business issues and updates• Major operational, financial, legal, regulatory and corporate issues and• Board papers for other matters for discussion or approval <p>All deliberation, discussions and decisions of the Board meetings were minuted and recorded accordingly. All proceedings of Board meetings were signed by the chairman of the meeting concerned or the chairperson of the next meeting pursuant to Article 126(3) of the Company's Constitution.</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 Company's Board Charter was first adopted by the Company on 26 May 2014 and the subsequent amendments to the Board Charter were reviewed and approved by the Board on an annual basis. The Board Charter sets out the respective roles and responsibilities of the Board, Board committees and Executive management and the standard of conduct expected of individual Directors.</p> <p>The Board had reviewed and approved the revisions to the Board Charter on 15 October 2019 to ensure it remains consistent with t MCCG 2017 and Companies Act 2016</p> <p>The Board is supported by the Board Committees to provide independent overights of management and to ensure that there are appropriate checks and balances in discharging its oversight function.</p> <p>Each of the Board Committees has detailed TOR that set out their scope and authority to assist the Board in carrying out its stewardship role and function.</p> <p>The Board Charter also outlines the matters which are specifically reserved for the Board or its Committees' decision.</p> <p>The Board Charter as published on the Company's website at www.stcgroup.com.my.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

The 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 Group has established and adopted a Code of Conduct covering Business Ethics, workplace safety and employees' personal conduct for all employees of the Company and all of its subsidiaries subsidiary and associate companies.</p> <p>The purpose of the Code of Conduct is to ensure that all employees and Directors maintain and enforce the highest standards of ethics and professional conduct in the performance of their duties and responsibilities throughout the organisation.</p> <p>All employees and Directors of the Company are required to declare that they have received, read and understood the provisions of the Code of Conduct and agreed to comply with its terms throughout their employment or tenure with Company.</p> <p>The Board would annually review the Code of Conduct and a copy is available on the Company's website at www.stcgroup.com.my.</p>	
Explanation for departure	:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
Measure	:		
Timeframe	:		

Intended Outcome

The 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 Company has established a Whistle Blowing Policy to foster an environment where integrity and ethical behaviour are maintained and any illegal acts or failure to comply with regulatory requirements that are taking place may be exposed. The formal Whistle Blowing Policy provides a mechanism for employees, stakeholders and other interested parties to confidentially bring to the attention of the Audit Committee any concerns related to matters covered by the Code of Conduct, legal issues and accounting or audit matters.</p> <p>The Board, together with the Management, reviews the Whistle-Blowing Policy as and when the need arises to ensure it is kept relevant to current best practices..</p> <p>The Whistle Blowing Policy is available on the Company's website at www.stcgroup.com.my.</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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The current Board composition of STC excluding Alternate Director is as below:</p> <ul style="list-style-type: none"> • 1 Independent Non-Executive Chairman • 2 Independent Non-Executive Directors • 5 Executive Directors (including the MD and Deputy MD) • 1 Non-Independent Non-Executive Directors <p>Presently, 33.33% of the Board consist of Independent Non-Executive Directors. The Board is of the view that the current Board composition is in the form of appropriate mix of relevant knowledge, skills and industry experience to ensure the succeed moving forward of STC.</p> <p>The Board has in place the Audit Committee, Nomination Committee and Remuneration Committee with clear TOR to assist the Board in the deliberations and recommendations as a check and balance. The Board Committees comprise a majority of Independent Non-Executive Directors, and provide their objective oversight functions to support the Board.</p> <p>Further, none of the Independent Directors engages in any business dealings or the day-to-day management of the Company. Hence, they are capable of exercising independent judgement and act in the best interests of the Company as well as its shareholders. They have met the criteria of “Independent Director” as defined in Paragraph 1.01 of the Listing Requirement and the Board is satisfied with the level of independence demonstrated by all the Independent Directors. Moreover, the current Board composition complies with Paragraph 15.02 (1) of the Listing Requirements of at least two (2) directors or one-third (1/3) of the Board, whichever is higher are independent directors.</p> <p>Therefore, the lack of at least half of Independent Directors on the Board did not jeopardise the independence of Board deliberations and all decisions were made in the best interests of the Company.</p>

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	: The Board is cognisant of the requirement and, through the Nomination Committee will endeavour to identify suitable candidates with the relevant market and industry knowledge for the proposed appointment as Independent Non-Executive Director(s) of the Company.		
Timeframe	: <table border="1" data-bbox="576 541 1385 632"> <tr> <td></td> <td></td> </tr> </table>		

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	:	None of the tenure of Independent Directors has exceeded a cumulative term of nine (9) years.	
Explanation for departure	:	N/A	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of boardroom diversity and values the benefits that diversity can bring to the Board.</p> <p>The appointment of a Director to the Board is reviewed by the Nomination Committee before recommending it to the Board for approval. The Nomination Committee will review the composition of the continuing members of the Board and Board Committee annually and make recommendation to the Board for any new appointment to the Board or Board Committees when necessary.</p> <p>The criteria used in the assessment of new Directors before appointment to the Board are as below but not limited to:</p> <ul style="list-style-type: none"> - Skills and competency; - Knowledge and expertise; - Regional and industry experience; - Academic and professional qualifications; - Cultural background, gender and age; - High personal and professional ethics, integrity and values; - Ability to devote the required amount of time to carry out the duties and responsibilities of the Board membership; - Financial capability and business stability to devote significant time, energy and resources; and - Other directorships
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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>The Board has not established a formal policy on gender diversity.</p> <p>The Board recognises that having a range of different skills, backgrounds, experience and diversity is essential to ensure a board range of viewpoints to facilitate optimal decision making and effective governance.</p> <p>The Board believes that the on-boarding process of Directors need to be evaluated based on among others, the competency, skills, extensive experience and knowledge of the candidates in meeting the Company's needs, including, where appropriate, the ability of the candidates to act as Independent Directors, as the case may be.</p> <p>In evaluating candidates, the Nomination Committee applies the concept of meritocracy, with no specific preference to, nor discrimination against, any age group, cultural background or gender, in order to identify the right qualities in candidates without bias.</p> <p>The Board is committed to providing opportunities and nurturing diversity within the Group. Presently, the Board has four women Directors (excluding the Alternate Director) in the Board after taking into account the combination of skill, experience and strength in the qualities necessary to strengthen the composition of the Board, representing 44.44% of the Board.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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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 delegates to the Nomination Committee the responsibility of recommending the appointment of any new Director. The Nomination Committee is responsible to ensure that the procedures for appointing new Directors are transparent and rigorous and that appointments are made on merits.</p> <p>The Boards and Nomination Committee are guided by the following process and procedures for the appointment of a new director:</p> <p>(a) The candidate identified upon the recommendation by the existing Directors, Senior Management staff, major shareholders and/ or external introductions;</p> <p>(b) In evaluating the suitability of candidates for appointment to the Board, the Nomination Committee considers, inter-alia, the competency, experience, commitment, contribution and integrity of the candidates, and in the case of candidates proposed for appointment as Independent Non-Executive Directors, the candidate's independence;</p> <p>(c) Recommendation shall then be made by Nomination Committee to the Board. This also includes recommendation for appointment as a member of the various Board Committees, where necessary; and</p> <p>(d) Decision to be made by the Board on the proposed new appointment, including appointment to the various Board Committees.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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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 Chairman of the Nomination Committee is Tan Sri Dato' Ahamad Fuzi Bin Hj Abdul Razak who is an Independent Non-Executive Director.</p> <p>The key duties and key activities of the Nomination a Committee are disclosed in the TOR of the Nomination Committee and is available on the Company's website at www.stcgroup.com.my.</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

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 Nomination Committee carries out annual Board effectiveness assessment to determine the continued effectiveness of the Board, Board Committees and individual Directors, including Independent Directors. The effectiveness of the Board is assessed in the areas of Board diversity, composition and governance, quality of information and decision-making and Boardroom activities. The effectiveness of the Board Committees is assessed in terms of composition and governance, meeting administration and conduct, skills and competencies, and roles and responsibilities.</p> <p>The Directors' assessment is intended to assess their contribution, performance, calibre and personality in relation to the skills, experience and other qualities they bring to the Board. The assessment examines an individual Directors' ability to give input in meetings and demonstrate high level of integrity in decision making.</p> <p>The Board effectiveness assessment has been carried out by the Nomination Committee on 15 October 2019 via the Audit Committee evaluation questionnaire, Board members' self and peer evaluation form, Independent Directors' evaluation form, Directors' evaluation form, Board and Board Committee evaluation form.</p> <p>The Nomination Committee has reviewed and reported to the Board in relation to the performance of the Board Committees and each of the members and was satisfied that the Board Committees and members have carried out their duties in accordance with the TOR of the respective committees.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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 objective of the Remuneration Committee is to recommend the remuneration framework of Executive Directors to the Board. The remunerations and entitlements of the Non-Executive Directors including the Non-Executive Chairman shall be a matter to be decided by the Board as a whole with the director concerned abstaining from deliberation and voting on his individual remuneration.</p> <p>The Remuneration Committee reviews the Board remuneration policy annually, considering various factors including the Non-Executive Directors' fiduciary duties, time commitments expected of Non-Executive Directors and Board Committee members and the Company's performance as well as the market condition. The Directors' fees are subject to the approval of the shareholders of the Company at its AGM.</p> <p>The TOR of the Remuneration Committee is available on the Company's website at www.stcgroup.com.my.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Departure
Explanation on application of the practice	:	:
Explanation for departure	:	<p>The policy is specified in the TOR of the Remuneration Committee, which is available on the Company's website at www.stcgroup.com.my.</p> <p>The Board and the Remuneration Committee have a transparent process for approving the remuneration of Directors. The Remuneration Committee is responsible to review remuneration policy of the Board and Senior Management annually with due consideration on relevant factors. The Remuneration Committee is governed by a detailed TOR to ensure that remunerations of Directors are in line with market practice, competitive, performance-based and in line with corporate objectives and strategy.</p> <p>The Remuneration Committee comprises a majority of Independent Directors led by the Independent Non-Executive Chairman. The remaining members are 1 Independent Director and 1 Executive Director.</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

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Board is of the view that such disclosure may not be in the best interest of the Group due to the sensitivity and confidentiality concerns as the remuneration packages of the Directors is formulated to be competitive and realistic, and emphasis being placed on performance. Hence, the non-disclosure on named basis is a way to retain existing Directors with relevant experience and skills that are needed to manage the Group effectively.</p> <p>Further, the Board also of the view that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the Directors' remuneration</p> <p>As an alternative, the remuneration packages in bands of RM50,000 are disclosed in the Corporate Governance Overview Statement of the Annual Report .</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

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	:	<p>While the Board is cognisant on the importance of transparency, given the competitive search for talent within the industry, as well as other sensitive considerations, the Board believes that individual disclosure on named basis is not in the best interest of the Company. Further, such disclosure does not prejudice shareholders' interest.</p> <p>This is also in line with the Group's policy of ensuring the privacy of its non-Board employees as well as the competitiveness of the Group in general. Apart from that, the said disclosure may also attract unnecessary head-hunting activities from competitors which will ultimately jeopardize the Group's operations.</p> <p>Hence, the Board opined that the disclosure of the compensation of key management personnel in Note 29(c) to the financial statements on page 101 of the Annual Report 2019 is deemed adequate as it complies with Paragraph 17 of the Malaysian Financial Reporting Standard 124 "Related Party Disclosures".</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

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 Audit Committee Chairman is led by Ms Chan Foong Ping and he is not the Chairman of the Board.</p> <p>The positions of the Chairman of the Board and Audit Committee are held by separate individuals. The Audit Committee comprises 3 members, all of whom are Non- Executive Directors, with a majority of them being independent Non-Executive Directors and has a detailed TOR to govern the activities of the AC which is available on the Company's website at www.stcgroup.com.my</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	:	None of the members of the Audit Committee are former key audit partners within the cooling-off period of two (2) years. The Group has adopted 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 AC. The policy has been included in the Audit Committee's TOR which is made available at the Company's website at www.stcgroup.com.my .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee carries out an annual review of the performance of the External Auditors pursuant to the External Auditors Assessment Policy, including assessment of their independence in performing their obligations, adequacy of experience and resources of the firm and the professional staff assigned to the audit. Based on the annual evaluation of their performance and audit fees, the Audit Committee was satisfied with the External Auditors' technical competency and independence for 2019.</p> <p>In assessing the independence of External Auditors, the Audit Committee required written assurance from the External Auditors conforming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.</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 Nomination Committee reviewed the terms of office of the Audit Committee and its members and was satisfied that the Audit Committee and its members have carried out their duties in accordance with its TOR during the financial year under review.</p> <p>The members of the Audit Committee have attended trainings and seminars conducted by regulatory bodies or professional organisations in order to keep themselves abreast of relevant on developments on the financial standards. The details of the training attended is disclosed in the Corporate Governance Overview Statement of the Annual Report.</p> <p>The Chairman and members of the Audit Committee are financially literate, and have carried out their duties in accordance with the TOR of the AC.</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 an effective risk management and internal control framework as set out in the Statement on Risk Management and Internal Control of the Annual Report. The Board acknowledges its responsibility in reviewing the adequacy and effectiveness of the Company’s risk management framework and system of internal control.</p> <p>The Board recognises that effective risk management framework is an integral part of good management. It is an ongoing process to identify, evaluate, monitor, manage and mitigate the risks that may affect the company’s ability to achieve its corporate objectives and strategies.</p> <p>The Risk Management Committee meet on a quarterly basis to evaluate and deliberate on the risk management activities presented by the Management of operating units and recommend appropriate measures to mitigate their risk exposures.</p> <p>The Audit Committee meet regularly to evaluate the adequacy and effectiveness of the Company’s internal control systems by reviewing the audit findings and recommendations to improve any weaknesses or non-compliance and the respective responses from the operating unit Management’s thereto, to ensure that all key risks and control weaknesses are being properly addressed.</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 9.2

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 is committed to an effective internal control system and is of the view that there is a continuous process in evaluating and managing significant risks faced by the Company and the underlying controls to mitigate the risks.</p> <p>The features of its risk management and internal control framework and the adequacy and effectiveness of the framework are set out in the Statement on Risk Management and Internal Control of the Annual 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 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 internal audit function is essential to assist the Board in obtaining the assurance of the system of internal control maintained by the management.</p> <p>To achieve this objective, the Company outsourced its internal audit function to an external consulting company, NGL Tricor Governance Sdn Bhd (“NGL” or “Internal Auditors”). The audit team members are independent of the activities audited by them. The internal auditors review and assess the Group’s system of internal control and report to the Audit Committee.</p> <p>The Internal Audit adopts a risk-based approach in developing its audit plan to address the essential auditable areas of the Group based on their risk profiles. The audit focuses on high risk areas to ensure that an adequate action plan is in place to enhance the internal controls.</p> <p>The results of the audit reviews, recommendations as well as management’s responses and action plans were brought to the attention of Audit Committee at scheduled meetings. Follow-up reviews were also conducted in ensuring that the recommendations of the internal auditors have been adopted and implemented by the management.</p> <p>The Management has to ensure that all recommended remedial actions were executed to rectify the highlighted shortcomings within a reasonable time frame. Any other significant issues would also be highlighted by the Audit Committee to the Board on a quarterly basis.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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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>All internal audit personnel assigned by us to perform internal audit assignments for the Client are required to make a written declaration that they do not have any relationships or conflict of interest with the Client, which could impair their independence and objectivity. Based on these written declarations, nothing has come to our attention to indicate that the internal audit personnel assigned by us had any relationships or conflicts of interest with the Client, which could impair their independence and objectivity for those internal audit assignments performed during the financial year.</p> <p>The Outsourced IA assigned four (4) staff to provide internal audit services to the Client.</p> <p>The person responsible for the Outsourced IA is, Mr. Chang Ming Chew, a director with our company. Mr. Chang is a Certified Internal Auditor and holds a Certification in Risk Management Assurance from the Institute of Internal Auditors; professional member of the Institute of Internal Auditors Malaysia; member of the Association of Chartered Certified Accountants (UK); and member with the Malaysian Institute of Accountants.</p> <p>We performed our work by referring to a recognized framework, such as the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors.</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 Company recognises the importance of being transparent and accountable to its shareholders and has used various channels of communication to enable the Board and Management to continuously communicate, disclose and disseminate comprehensive and timely information to investors, shareholders, financial community and the public generally.</p> <p>The various channels of communication with stakeholders are as follows:</p> <p>(a) the quarterly announcements on financial results and other periodical or relevant announcement to Bursa Securities;</p> <p>(b) circulars and annual report;</p> <p>(c) general meeting of shareholders;</p> <p>(d) meeting with investors and fund managers; and</p> <p>(e) the Company's website at www.stcgroup.com.my where shareholders can access corporate information such as the Board Charter, TORs of the Board Committees, financial information, Company announcements and others.</p> <p>The above channels of communication will help to enhance stakeholders' understanding of the business and operations of the Group and to make informed investment decision.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Group, which is not a Large Company under the definition of Paragraph 2.6 of the MCCG 2017, does not adopt integrated reporting.	
		To enable stakeholders to make informed decisions, the Group has disclosed in its Annual Report 2019 various statements in accordance with the requirements under the Listing Requirements of Bursa Securities. These include the Management Discussion and Analysis, Corporate Governance Overview Statement, Sustainability Statement, Audit Committee Statement and Statement on Risk Management and Internal Control.	
<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 notice period given for the Company's Fifteenth AGM in 2019 was more than 28 days. The notice was sent on 31 October 2019 and the date of the AGM was 04 December 2019.</p> <p>As for the AGM in 2020, the notice, which provides information to the shareholders regarding the details of the AGM, their entitlement to attend the AGM, their right to appoint a proxy and information as to who may count as a proxy, will be sent out on 31 October 2020 and the meeting is scheduled on 8 December 2020. The notice period is more than 28 days.</p> <p>The notice period given was well in advance of the 21-day requirements under the Companies Act 2016 and the Listing Requirements of Bursa Securities. The additional time given to the shareholders would allow them to have sufficient time to scrutinise the Annual Report and to make necessary arrangement to attend the meeting</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	:	Applied	
Explanation on application of the practice	:	All the Directors of the company including the chairpersons of the respective Board Committees had attended the last AGM held on 4 December 2019 and all the Directors were present to respond to shareholders' queries.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company will always make sure that its general meeting is to be held at an accessible location but not in remote areas in order to encourage shareholders to attend and participate in the meeting. Having considered that the shareholder base of the Company is not large, the Board is of the view that there is no immediate need for the Company to leverage on technology to facilitate electronic poll voting and remote shareholder participation at this juncture of time.</p> <p>As at the date of this Report, the Company has more than 2,000 shareholders and the forthcoming AGM of the Company will be held at Ballroom III, Main wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor, a strategic and familiar location with easy accessibility and where most shareholders will be able to attend.</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	:	

**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.

Not applicable
