

CORPORATE GOVERNANCE REPORT

STOCK CODE : 1201
COMPANY NAME : SUMATEC RESOURCES BERHAD
FINANCIAL YEAR : December 31, 2018

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 the Company ("The Board") is committed to ensure high standards of corporate governance and the establishment and implementation of a proper framework and controls that are in line with the principles and best practices pursuant to the Malaysian Code of Corporate Governance 2017 ("MCCG 2017") and Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR").</p> <p>The Board recognises the importance of good corporate governance as it underpins the Group's objective to achieve sustainable growth in its businesses in the long run. The Board will continuously evaluate the status of the Company and Group's corporate governance practices and procedures with a view to adopt and implement the best practices of The Code wherever applicable.</p> <p>The Board is responsible in promoting and protecting the interests of shareholders and stakeholders of the Company and the Group by overseeing and appraising the Company's strategies, policies and performance. It plays a key role in charting the strategic direction of the Group and in ensuring the effective execution of these strategies by management. Specifically, the Board's key objectives are:</p> <ul style="list-style-type: none">• To oversee the conduct of the Group's businesses, including the formulation of strategy and performance objectives, in conformance with the Company's values and governance framework, including establishing and observing high ethical standards;• To approve and monitor the progress of major capital expenditure, fund-raising, acquisitions and divestitures;• To fulfil statutory and fiduciary responsibilities by monitoring the operational, financial and risk

	<p>management processes of the Group;</p> <ul style="list-style-type: none"> • To ensure compliance with environment, safety, health and other relevant legislations governing its oil and gas operations; • To ensure the adequacy and effectiveness of system of internal controls and risk management framework; • To review and evaluate the performance of the Managing Director (“MD”) periodically, his or her compensation package and ensure succession planning for the MD is in place; and • To provide sufficient information to shareholders at the general meetings on the Company’s performance and major developments affecting its state of affairs. <p><i>Matters specifically reserved for the Board including but not limited to:</i></p> <ul style="list-style-type: none"> • Appointment of a Chairman; • Appointment and removal of MD, Chief Financial Officer and Chief Operating Officer; • Appointment and removal of Company Secretary; • Appointment of Directors to fill a vacancy or as an additional Director; • Establishment of Board Committees, their membership and delegated authorities; • Appointment, re-appointment or removal of the Company’s external auditors (on the recommendation of the Audit Committee); • Approval of dividends; • Approval of quarterly and annual financial statements; • Approval of strategic plan and budget, at least annually; • Significant changes to organisation structure; • Approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management; • Approval of major related party transactions; • Major financing facilities; • Calling of meetings of the shareholders; • Determining the form and operation of the Company’s various equity plans; • Determination of the Company’s hedging policy; • Approval of Limits of Authority (“LOA”) of the Company; and • Any other specific matters nominated by the Board from time to time. <p>The Board has also established various Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee, ESOS Committee, Investment Committee and Quality Health Safety and Environment (“QHSE”) Risk Committee to examine specific issues within their respective terms of reference as approved by the Board. The Committees report to the Board with their</p>
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	recommendations. The ultimate responsibility for decision making, however, lies with the Board as a whole. The roles and responsibilities of these Committees are spelt out in the subsequent sections of this report.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Board is responsible for: <ul style="list-style-type: none"> • Chairing meetings of the Board and of the shareholders; • Providing leadership to the Board and ensuring that the Board operates effectively as a group and is able to fulfil its fiduciary obligations; • Ensuring that Board decisions have been implemented by management; and • Promoting constructive and respectful relationship between the Board and management. 	
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 1.3

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

Application :	Applied
Explanation on application of the practice :	<p>The Board recognizes that having separate individuals as Chairman and MD of the Company will contribute towards more effective functioning of the Board and it allows for better dynamics for check and balance between the Board and management. The Board Charter provides that the Chairman of the Board shall at all times be separate from the MD.</p> <p>The Chairman of the Board is responsible for:</p> <ul style="list-style-type: none">• Chairing meetings of the Board and of the shareholders;• Providing leadership to the Board and ensuring that the Board operates effectively as a group and is able to fulfil its fiduciary obligations;• Ensuring that Board decisions have been implemented by management; and• Promoting constructive and respectful relationship between the Board and management. <p>The MD has the overall responsibility of executing the Group's strategies and plans as approved by the Board and driving the Group's performance towards achievement of its vision and mission. In carrying out his duties, the MD is expected to display strong leadership qualities especially in managing cross cultural operations and is able to rally the support of all key stakeholders to ensure smooth running of the day-to-day-operations of the Group.</p> <p>The Board has delegated its authority to the MD and Senior Management as specified in the Company's LOA. These include authorities for:</p> <ul style="list-style-type: none">• Acquisition of assets;• Incurring of capital expenditure for oil field operations;• Incurring of operating expenses;• New acquisitions, investments and divestiture;• Hiring and compensation policy for employees;• Banking operations and payment; and• Making press releases and announcement to Bursa. <p>The MD and the Senior Management remain accountable to</p>

	the Board for the authority that is delegated to them.	
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 Secretaries are responsible for advising the Board on issues relating to compliance with the relevant laws, rules, procedures and regulations, as well as best practices of governance. They are also responsible for advising the Board of their obligations and duties to disclose their interests in securities, ensures compliance with Board policies and procedures. They brief the Board on the proposed contents and timing of material announcements to be made to regulators.</p> <p>The Board have unrestricted access to the advice and services of qualified, experienced and competent Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company.</p> <p>The Company Secretaries attend all Board and Board Committees meetings and ensures that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly. The appointment and removal of the Company Secretaries, if any, are decided and agreed by the Board as a whole.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>Board meetings are scheduled in advance at the beginning of the new financial year to enable directors to plan ahead and fit the year's meeting into their own schedules. The Board meets at least quarterly with additional meetings convened as and when necessary.</p> <p>Board and Board Committee papers which are prepared by the Management, provide the relevant facts and analysis to facilitate the Board to make informed decision. The meeting agenda, the relevant reports and Board papers are furnished to Directors and Board Committee members within reasonable time ahead of the meetings to allow the Directors ample opportunity to peruse the papers for effective discussion and decision making during meetings.</p> <p>At the quarterly Board meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. The reports of the Audit Committee, Nomination Committee, Remuneration Committee, ESOS Committee, Investment Committee and QHSE Risk Committee are also presented and discussed at Board meetings. All pertinent issues discussed at Board meetings in arriving at the decisions are properly recorded by the Company Secretary by way of minutes of meetings.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter which was established on 17 February 2014, outlines the manner in which the Board's constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, international best practices and applicable laws and regulations.</p> <p>The Charter includes an overview of:</p> <ul style="list-style-type: none">• Board structure, composition and appointment process;• Board's independence policy;• Board's roles and responsibilities including authorities reserved for the Board;• Director's ethics and conduct;• Delegation of duties to the management and Board Committees; and• Board processes including conduct of meetings and Board's performance assessment. <p>The Board Charter will be reviewed on an annual basis to ensure that it remains consistent with the Board's objectives and current laws and practices.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has made a commitment to create a corporate culture within the Company and the Group to operate the business in an ethical manner and to uphold the highest standards of professionalism and exemplary corporate conduct in relation to interactions with the Company's stakeholders.</p> <p>In addition to the Group's code of conduct which is applicable to all employees and directors of the Company and the Group, Board members are also expected to conform to the Director's code of ethics and conduct ("Director's Ethics"). The Director's Ethics provide guidelines on the manner in which Directors should conduct themselves in fulfilling and discharging their fiduciary duties, specifically:</p> <ul style="list-style-type: none">• Directors will act at all times with honesty and integrity and will observe the highest standards of ethical behavior;• Directors will ensure that no decision or action is taken that has the effect of prioritizing their personal interests over the Company's interests;• Directors are expected to declare their respective shareholdings, direct or indirect if any, in the Company and related companies;• Directors are expected to also declare their interest, direct or indirect, in contracts or proposed contracts with the Company or subsidiary companies. The Directors concerned are to abstain from deliberating and voting in respect of these transactions or in matters affecting their personal, business or professional interests;• Directors will be expected to participate in all

	<p>induction and orientation programs and any continuing education or training arranged for them;</p> <ul style="list-style-type: none"> • The Board shall assess the training needs of its members from time to time and shall ensure that they have access to appropriate continuing education programs to update their knowledge and enhance their skills to sustain active participation at Board deliberation; • The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chairman, or the Board as a whole; • The Directors shall devote time and effort to attend meetings and to know what is required of the Board and each of its members, and to discharge those functions effectively; and • Directors shall limit their directorship of companies to a number which they can sufficiently devote their time and maintain effectiveness. All Directors are to notify the Chairman of the Board prior to their accepting any new directorship. Likewise the Chairman shall also notify the Board if he has new directorship or significant commitments outside of the Company. 	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>In order to strengthen corporate governance practices across the Group, a whistleblowing policy was established to encourage employees to report suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse involving resources of the Company.</p> <p>All concerns raised via the whistleblowing channels will be treated fairly and properly. The Group's Whistleblowing Policy also includes provisions to safeguard the confidentiality of the whistleblower, ensure no retaliation against the whistleblower if he or she has acted in good faith and measures to avoid abuse of the policy for purposes of making false or malicious allegations.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The current Independent Non-Executive Directors (INEDS) composition comprises 60% of the total Board composition.</p> <p>The current INEDS of Company are as follows:</p> <ol style="list-style-type: none"> 1) Mohamad Bin Ismail 2) Dato' Khalid Bin Hj. Ahmad 3) Wan Kamaruddin Bin Wan Mohamed Ali
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 4.2

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

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

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<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 Company practices a formal and transparent procedure for the appointment of new directors. The nomination of Non-Independent Non-Executive Directors (NINEDs) to the Board is made by major shareholder of the Company. The nomination of Independent Non-Executive Directors (INEDs) to the Board is made through the engagement of a professional recruitment firm to find suitable candidates to fill in the vacant positions.</p> <p>In its selection of suitable candidates, the Nominating Committee (NC) refers to the Board Selection Criteria. All nominees to the Board are first considered by the NC, taking into consideration the mix of skills, competencies, experience, integrity, personal attributes and time commitment required to effectively fulfil his or her role as a director. Diversity in terms of age, gender and ethnicity is also considered during the selection process.</p> <p>During the year under review, the Company engaged a professional recruiting firm to assist in the search for new INEDs based on the identified selection criteria approved by the NC. The NC shortlisted several candidates for engagement sessions to review the suitability of these candidates prior to recommending to the Board for approval.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently, the Board has none women directors	
		Alternative Practice : Not applicable	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	The Board supports the country’s aspirational target of 30% representation of women directors and will initiate search for potential candidates. The Board is considering to have an woman director to meet the target and timeline required by MCCG 2017.	
Timeframe	:	Within 3 years	

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	:	The Company has engaged a professional recruiting firm to assist in the search for new Independent Non-Executive Directors (INEDs) based on the identified selection criteria approved by the NC.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nominating Committee of the Company is chaired by Encik Mohamad Bin Ismail who is an Independent Director of the Company.	
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 Nominating Committee assesses the effectiveness of the Board as a whole and the Board Committees, and also the contribution of each Director. The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities.</p> <p>The Board, through the Nominating Committee, reviews periodically its required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions are properly documented. This assessment is done on yearly basis.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.1

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Presently the Company do not have a formalised remuneration policies and procedures for Directors and Management.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has in a place a Remuneration Committee which comprises a majority of Non-Executive Directors. The membership of the Remuneration Committee is outlined below:</p> <p>a) Dato' Khalid Bin Hj. Ahmad (Chairman) b) Mohamad Bin Ismail (Member)</p> <p>The Remuneration Committee responsibilities include reviewing the remuneration packages, reward structure and fringe benefits applicable to Board and Senior Management and making the appropriate recommendations to the Board.</p> <p>The Terms of Reference of Remuneration Committee is Accessible for reference on the Group's website at http://www.sumatec.com/.</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 assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The remuneration breakdown of individual directors which includes the fees, salary, bonus, benefits in-kind and other emoluments is enumerated in Annual Report 2018	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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	:	<div>Remuneration paid to the top three (3) Senior Management for the financial year ended 31 December 2018 are as follows:-</div> <table><tr><th>Top Five Senior Management (Not including Executive Directors)</th><th>Number of Senior Management</th></tr><tr><td>From RM1 to RM50,000</td><td>2</td></tr><tr><td>From RM50,001 to RM100,000</td><td>1</td></tr><tr><td>From RM100,001 to RM150,000</td><td>-</td></tr><tr><td>From RM150,001 to RM200,000</td><td>-</td></tr><tr><td>Total</td><td>3</td></tr></table> <div>The remuneration of the top three (3) Senior Management of the Company disclosed above is on aggregate basis. At this particular juncture, the Board is of the opinion that the disclosure of the Senior Management personnel’ names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the group due to confidentiality and securities concern.</div> <div>The Board ensures that the remuneration of Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully. Excessive remuneration payouts are not made to Senior Management personnel in any instance.</div> <div>The disclosure of the remuneration of the top five Senior Management of the Company is currently made on an aggregate basis and it allows stakeholders to make an appreciable link between remuneration of Senior Management and the performance of the Group.</div>	Top Five Senior Management (Not including Executive Directors)	Number of Senior Management	From RM1 to RM50,000	2	From RM50,001 to RM100,000	1	From RM100,001 to RM150,000	-	From RM150,001 to RM200,000	-	Total	3
Top Five Senior Management (Not including Executive Directors)	Number of Senior Management													
From RM1 to RM50,000	2													
From RM50,001 to RM100,000	1													
From RM100,001 to RM150,000	-													
From RM150,001 to RM200,000	-													
Total	3													
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.														
Measure	:													

Timeframe	:		
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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	:	Chairman of the Audit Committee is Dato Khalid Bin Hj Ahmad, an Independent Director and is not the Chairman of the Board.	
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	:	The Audit Committee does not include any former key audit partner of a firm of external auditors.	
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 (AC) is responsible for assessing the capabilities and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditor.</p> <p>Under its Terms of Reference, the AC reviews the suitability and independence of the external auditor of the Company. The review process covers the assessment of the independence of the external auditor, the evaluation of their performance, quality of work, audit fees and the adequacy resources.</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	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises solely of Independent Directors as disclosed in the Annual Report 2018.

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	:	Audit Committee (AC) members possess a wide range of necessary skill as recommended by MCCG 2017. The AC Member’s Profile is disclosed in the Company’s 2018 Annual Report for further information.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	All Audit Committee will attend at least one training which is relevant to accounting and auditing standards, practices and rules in enhancing their professional development in 2018.	
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	:	The Company has a risk management framework and internal control systems in place to ensure the smooth running of the business with the aim to manage the risks and control of the Company’s business and financial affairs economically, efficiently and effectively to be able to seize profitable business opportunities in a disciplined way while avoiding or mitigating risks that could cause loss, reputational damage or business failure. Further information on risk management framework and internal control are disclosed in the Statement of Risk Management and Internal Control of 2018 Annual Report.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The key features of the Company’s risk management and internal control framework, which cover their adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control in the 2018 Annual Report.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 9.3 - 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	:	Adopted
Explanation on adoption of the practice	:	The Risk Committee which comprises a majority of independent directors is responsible with a delegated authority to administer and be responsible for assuring continuous compliance by the Company with all applicable quality, safety, health and environmental laws and regulations vested in management of the Company.

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	:	The Company has an in-house Internal Audit Department (IAD). The IAD undertakes a systematic and disciplined approach in evaluating and improving the effectiveness of governance, risk management and control processes within the Group and its key function is to assist the Group in accomplishing its goals. Internal audit functions and its effectiveness are disclosed in the 2018 Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Audit Department is headed by the Internal Audit Manager, Encik Mohamad Khalid bin Abdul Rahman, who reports functionally to the Audit Committee, and administratively to the MD to allow an appropriate degree of independence from operations of the Group. The activities of the IAD are guided by the Internal Audit Charter that defines the roles, responsibilities, accountability and scope of work of the IAD. This is to enable the Internal Audit function to remain relevant in the context of challenges faced by and opportunities presented to the Company against the backdrop of uncertain business and global economic environment. The responsibility of Internal Audit Manager will include:</p> <ol style="list-style-type: none">1. Plans and develops the internal audits department strategic plans, financial/operational audit objectives, procedures and programs. All Audit Plans and program to also be approved by the Managing Director.2. Undertakes comprehensive planning and risk assessments relating to each assignment to ensure that the engagement identifies potential unmitigated business risks.3. Performs internal audits and determines that company assets are properly used in the company's business consistent with company policy and generally accepted accounting principles.4. Reviews company procedures to ensure maintenance of records in reasonable detail that accurately and fairly reflect the transactions and assets of the company.5. Evaluates internal controls to determine proper controls including suggestions for improvements.6. Assists in interface with external auditors to maximize reliance on internal audit reviews. Discusses and presents audit findings to client groups effectively; responsible for

	<p>audit completion and issue follow-up.</p> <p>7. Performs all aspects of audit work for assigned financial and operational audits including report preparation and review, and communication with management regarding audit results.</p> <p>8. Ensures that recommendations are clearly presented and agreed to by the management and that a subsequent audit report is issued promptly.</p> <p>9. Participate in Enterprise Risk Management (“ERM”) committee and engaged to report on the Statement of Risk Management and Internal Control (SORMIC).</p> <p>10. Assist with special projects in the finance department and other duties as required.</p> <p>The IAD will also conduct investigation and special reviews at the instruction of the Audit Committee and at the request by Management.</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

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>In addition to the quarterly financial reports and annual report, AGM remains the principal forum for communication and interaction between the Board and Senior Management with the shareholders.</p> <p>The shareholders are encouraged to participate in the proceedings and raise any questions relating to the proposed resolutions as well as the Company's business operations and affairs. The Chairman, Board of Directors and Senior Management will respond to shareholders' question on matters pertaining to the Group's performance and seek to explain concerns raised by the shareholders. The External Auditors are also present to provide their professional and independent clarification, if required, on issues highlighted by the shareholders.</p> <p>The Notice to the AGM together with Form of Proxy are circulated to the shareholders at least twenty one (21) days before the date of the AGM, which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint a proxy to attend and vote on their behalf. Each item of special business included in the Notice to the AGM is accompanied by an explanatory statement for the proposed resolution to facilitate the full understanding and evaluation of issues involved. The outcome of the AGM was announced to Bursa Securities on the same day as the meeting.</p> <p><i>Communication and engagement with shareholders</i></p> <p>The Board recognises the importance of being transparent and accountable to the Company's investors and has maintained various channels of communication with investors and shareholders. These include the quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars when necessary, and the Annual and Extraordinary General Meetings. Investors and shareholders may also access online Investor Relation section, News and Media via the Company's website at www.sumatec.com.</p>

	<p>The Group's website is updated from time to time to provide current and comprehensive information about the Group.</p> <p><i>Investor and Media Relations</i></p> <p>The Company engages with the investment community, whenever appropriate, to share our strategy and vision and to discuss our operations and business whilst ensuring timely and fair dissemination of information. The Board values the relationship the Company has with investors and communication with them is important to the Board and management.</p> <p>The key spokesperson for the Company's investor relations activities is the MD, who engages with research analysts and fund managers directly. Additionally, the Company calls for media briefings to update members of the press on major announcements made by the Company or on business operation matters.</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 11.2

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	:		
<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	:	In accordance with the recommendation of the MCCG, the notice of meeting will be given to the shareholders at least 28 days prior to the meeting.	
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

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 Company's Directors attend the general meetings of the Company. The Chairmen of the Audit, Nominating and Remuneration Committees will respond to any queries and clarifications addressed to them (if any).
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 location of the General Meetings has been held in the Kuala Lumpur at locations which are accessible by public transport.</p> <p>The upcoming 22nd AGM on 25 June 2019 will be held at at 9th floor, Function Hall, The Boulevard Hotel, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. The said place and the surrounding commercial premises have ample parking space.</p> <p>A shareholder of the Company can vote in person or appoint a proxy to attend and vote on his/her behalf. Voting at the AGM is by poll and the Company utilises an electronic voting system to expedite the voting and facilitate the tabulation process in a seamless manner.</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
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.

Not Applicable
