

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0148
COMPANY NAME : Sunzen Biotech 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 PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<ul style="list-style-type: none"> • The Board leads and has effective controls over the Group whereby collective decisions and/or close monitoring are exercised on issues relating to strategy, performance, resources, standard of conduct and financial matters. Key matters reserved for the Board's approval include the business plan and budget, capital management and investment policies, authority limits/levels, risk management policies, declaration of dividends, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, material, acquisitions and disposition of assets. • The Board has delegated day-to-day management of the Group to the Executive Director and the senior management team and specific responsibilities to the Board Committees. • The Board's principal responsibilities include reviewing and adopting a strategic plan, overseeing the conduct of business, risk management, succession planning, development of stakeholder communication channels, reviewing the adequacy of internal control systems and etcetera. <p>The roles and responsibilities of the Board are set out in the Board Charter and the Board Committees' roles and responsibilities in discharging its functions, which had been delegated by the Board are set out in the respective Board Committees' Terms of Reference.</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 1.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board is led by the Senior Independent Non-Executive Chairman, Tan Sri Haji Musa Bin Tan Sri Haji Hassan. The Chairman is committed to good corporate governance practices and has been leading the Board towards high performing culture.</p> <p>As provided under the Company's Board Charter, the Chairman is responsible for, among others:</p> <ul style="list-style-type: none"> i. leading the Board in setting the values and standard of the Company; ii. maintaining a relationship of trust with and between the Executive and Non-Executive Directors; iii. ensuring the provision of accurate, timely and clear information to Directors; iv. ensuring effective communication with shareholders and relevant stakeholders; v. arranging regular evaluation of the performance of the Board, its Committees and individual Directors; vi. facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations are maintained between Executive and Non-Executive Directors; and vii. facilitating the ongoing development of all Directors. 	
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 positions of Chairman and Chief Executive Officer ("CEO") are held by two different individuals. The roles of Chairman are distinguished from that of the CEO's roles with clear division of responsibilities as outlined in the Company's Board Charter to enhance and preserve a balance of authority and accountability to avoid unfettered powers of decision making.</p> <p>The Chairman is primarily responsible for the orderly conduct of the Board meetings and ensure effectiveness of the Board. The Group Managing Director cum Group Chief Executive Officer will assist the Chairman in the effectiveness of implementation of the Board policies, making operational decisions and monitoring the day-to-day running of the businesses, including defining the limits of Management's responsibilities.</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 Group is supported by the Company Secretaries who are qualified to act pursuant to Section 235(2) of the Companies Act 2016.</p> <p>The roles and responsibilities of the Company Secretaries include, but are not limited to the following:</p> <ul style="list-style-type: none"> • manage all Board and Board Committees meeting, attend and record minutes of all Board and Board Committees meetings and facilitate Board communications; • guide the Board on its roles and responsibilities; • guide the Board on corporate disclosures and compliance with Listing Requirements, Company's Constitution, Companies Act 2016 and other relevant rules and regulations; and • monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations. <p>All Board members have unrestricted access to the advice and services of the Company Secretaries in relation to the Board's affairs and the business.</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

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>Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis for an effective discharge of the Board's responsibilities.</p> <p>Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors at least seven (7) days prior to the Board and Board Committee meetings, to facilitate decision making by Directors and to deal with matters arising from such meetings. Senior Management of the Group and external advisers (if necessary) are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda.</p> <p>Deliberations and decisions made at Board and Board Committees meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation. The minutes are then circulated to the Directors and Board Committees members for perusal. The minutes are confirmed as correct record by the Board and Board Committees at the following 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

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 is guided by its Board Charter which clearly sets out the Board's roles and responsibilities in discharging its fiduciary and leadership functions.</p> <p>The Charter provides guidance for Directors and Management regarding the responsibilities of the Board, Board Chairman, Board Committees, Managing Director/Chief Executive Officer, Executive Directors and Non-Executive Directors as well as the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as boardroom activities.</p> <p>The Board Charter was last reviewed and approved by the Board on 28 February 2019 and is available on the Company's website at www.sunzen.com.my.</p> <p>The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have impact on the discharge of the Board's responsibilities in discharging its governance function.</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 Group is committed to achieving and monitoring high standards pertaining to behaviour at work.</p> <p>The Board is strictly adhered to the Company Code of Conduct and Ethics in discharging its oversight role effectively. The Code of Conducts and Ethics require all Directors, Management and Employees of the Group to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and act in good faith in the best interests of the Group and its shareholders.</p> <p>The Code of Conduct and Ethics is incorporated in the Board Charter of the Company which is available on the Company's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 is committed to maintain good corporate governance practices and ethical standards in the conduct of its businesses and operations. In achieving this, the Board has established and adopted a Whistleblowing Policy which provides an opportunity for all employees of the Group, and members of the public to disclose any improper conduct within the Group, and to provide protection for employees and members of the public who report such feedback, in an appropriate manner and without fear of retaliation.</p> <p>The Whistleblowing Policy provides details of the lodgement guidelines and is published on the Company's website. The policy sets out the procedures and the avenue where grievances or concerns pertaining to the conducts, affairs or practices of the Company can be raised in confidence and good faith.</p> <p>All such concerns should be raised with Senior Management and an appropriate action will be taken by the Company. If for any reason, it is believed that this is not possible or appropriate, then the concern should be reported to the Audit Committee Chairman.</p> <p>All shareholders and other stakeholders may convey and direct their concerns to Mr Khoo Kien Hoe, the Independent Non-Executive Director and Audit Committee Chairman at bizaid08@gmail.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	:		
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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 4.1

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

Application	:	Applied	
Explanation on application of the practice	:	The Board consist of four (4) members. Out of the four (4) Directors, three (3) of them are Independent Directors.	
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	:	The Company's Board Charter states that the tenure of an Independent Director shall be for a cumulative term of nine (9) years since appointment as Independent Director. The Independent Director may continue to serve beyond the 9-year tenure provided the Independent Director is re-designated as a Non-Independent Director. Where the Board is of the view that the Independent Director can continue beyond the 9-year tenure, it must justify and seek annual shareholders' approval.

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 Group adopted a policy of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, which includes the selection of Board members and Senior Management. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the future needs of the Company.</p> <p>The Nomination Committee is established to identify, assess and recommend new nominees to the Board and Senior Management. It assists the Board in reviewing the required mix of expertise, skills and experience of the Board and Senior Management whilst taking into account the current and future needs of the Company and Boardroom diversity.</p> <p>The Nomination Committee evaluates and matches the criteria of the candidates based on the “Fit and Proper” standards as detailed in the Board Charter, and will consider diversity, including gender, where appropriate, and recommends to the Board for appointment. Consideration will be given to those individuals possessing the identified skill, talent and experience.</p> <p>The appointment procedures and requirements are set out in the Board Charter.</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

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	:	Applied	
Explanation on application of the practice	:	<p>Presently, there is one (1) female director on the Board out of a total of four (4) Directors.</p> <p>The Board acknowledges the importance of Boardroom diversity and will endeavour to achieve 30% female directors.</p> <p>The Board has adopted a Diversity Policy and will through the Nomination Committee consider gender diversity as part of its future selection of candidates for Board and Senior Management positions and will look into increasing female representation on Board and Senior Management.</p> <p>The Diversity Policy, which is incorporated in the Board Charter is made available on the corporate website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.6

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 takes cognisance of the recommendation of the MCCG to utilise a variety of approaches and sources to identify suitable candidates, which may include sourcing from a directors' registry, open advertisements or using independent search firms. The Nomination Committee and the Board will ensure that the procedures for appointing new Directors are transparent and formal and the appointments are made on merits.</p> <p>There were no new appointment during the financial year 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee consists exclusively of Independent Non-Executive Directors, and is chaired by Tan Sri Haji Musa Bin Tan Sri Haji Hassan, the Senior Independent Non-Executive 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 Nomination Committee (“NC”) carries out the annual evaluation for assessing the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director. The evaluation was conducted using the Evaluation Forms which set out the assessment criteria as approved by the Board which covered areas such as the Board Structure, Board operations, roles and responsibilities of the Board, the Board Committees and the Chairman’s roles and responsibilities. For Individual Director Assessment, the assessment criteria includes contribution in respect of interaction, quality of inputs, and understanding of role.</p> <p>The NC will complete a questionnaire regarding the effectiveness of the Board as a whole, the Board Committees and performance of each individual Director. The assessment and comments by the NC will then be summarised and discussed at the NC meeting and reported to the Board.</p> <p>For the financial year ended 31 December 2018, the NC has assessed the effectiveness of the Board as a whole, the Board Committees, contribution of each individual Director and independence of Independent Directors.</p> <p>From the results of the assessment, the NC concluded that each Director has the requisite competence to serve on the Board and had sufficiently demonstrated their commitment to the Group in terms of time and participation during the year under review, and recommended to the Board the re-election of retiring Directors at the Company’s forthcoming Annual General Meeting.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

The 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 Remuneration Committee (“RC”) is entrusted by the Board to review and recommend the policies and procedures matters relating to remuneration of the Board and recommendation of the same to the Board for approval.</p> <p>The Board has formalised a Remuneration Policy for director and Senior Management and the said Policy is incorporated in the Board Charter of the Company which is available on the Company’s website.</p> <p>The RC reviews the remuneration of Directors annually and recommends to the Board for approval. The remuneration package for Executive Director has been structured to link rewards to corporate and individual performance while Non-Executive Directors’ remuneration reflects the experience and level of responsibilities undertaken by individual Non-Executive Directors. Directors’ fees and benefits payable to the Directors of the Company is subject to the shareholders’ approval at the Company’s Annual General Meeting.</p> <p>In determining the remuneration of the Senior Management, the RC takes into account the role, skills, competency and the performance of the individual.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has established a Remuneration Committee ("RC") which comprised exclusively of Independent Non-Executive Directors.</p> <p>The RC reviews and recommends to the Board annually the Board's remuneration package and/or reward payments that reflect their respective contributions for the year, and which depend on the performance of the Group, achievement of the goals and/or quantified organisational targets as well as strategic initiatives set at the beginning of each year.</p> <p>The RC has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the Company's website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	A detailed disclosure on named basis for the remuneration of each Director can be found under the Corporate Governance Overview Statement in the Company's Annual Report 2018.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

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

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board has considered this practice and is of the opinion that the disclosure of the top five (5) Senior Management's remuneration on a named basis would not be in the best interest of the Group due to competitive conditions for talent in the industry.	
		The Board considered the information of the remuneration of the Senior Management personnel to be sensitive and proprietary in view of the competitive nature of the human resource market and the Company's effort in retaining executive talents.	
		The top five (5) Senior Management's remuneration has been disclosed on an unnamed basis in bands of RM50,000 under the Corporate Governance Overview Statement in the Company's Annual Report 2018.	
<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 ("AC") consists of three (3) members, all of whom are Independent Non-Executive Directors.</p> <p>The AC is chaired by Mr Khoo Kien Hoe who is not the Chairman of the Board. The profile of Mr Khoo is set out of page 5 of the Annual Report 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Terms of Reference of the Audit Committee (“AC”) requires a former key audit partner to observe a cooling off period of at least two (2) years before being appointed as a member of the AC. The Terms of Reference of the AC is available on the Company’s website.</p> <p>Currently, no former key audit partner of the external auditors of the Company is appointed as a member of the Director and 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

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>An annual assessment of the competency and independence of the external auditors was conducted by the Audit Committee ("AC") via a set of assessment questionnaire. In assessing the external auditors' performance and suitability, the AC considered, inter-alia, the independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the external auditors.</p> <p>The AC received assurance from the external auditors confirming 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 in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accounts.</p> <p>Based on the outcome of the annual assessment conducted in April 2019 on the external auditors' performance, technical competence and professional independence, the AC recommended to the Board for the re-appointment of Messrs. RSM Malaysia as the external auditors of the Company for the financial year ending 31 December 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	All the members of the Audit Committee are Independent Non-Executive Directors.

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	:	All members of the Audit Committee ("AC") are financially literate and assist the Board in reviewing and ensuring the quarterly reports and annual audited financial statements are prepared in compliance with applicable financial reporting standards. The AC assists the Board to oversee and scrutinise the process of financial reporting and ensure accuracy, adequacy and completeness of financial reports. All members of the AC undertakes continuous professional development and have annual discussion with the external auditors on financial reporting development to keep themselves abreast of the relevant developments in accounting and auditing standards, practices and rules.
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 Audit Committee ("AC") oversees the risk management of the Group and advises the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC also reviews the action plan implemented and makes relevant recommendations to the Board to manage residual risks. The Group has established a formal risk management framework to oversee the risks management of the Company and engaged an external consultant to assist the Company in identifying, assessing and managing the risks in areas that are applicable to the Company's business and ensure that the risk management process in place and functioning effectively.</p> <p>The Company continues to maintain and review its internal control procedures to ensure the protection of its assets and its shareholders' investment.</p> <p>The Company has outsourced its internal audit function to a professional service firm, namely H.H. Fong & Co. to assist the AC in discharging its duties and responsibilities in respect of reviewing the adequacy and effectiveness of the Group's risk management and internal control systems.</p> <p>The AC reviews, deliberates and evaluates the effectiveness and efficiency of the internal control systems in the organization which are designed to manage and mitigate rather than eliminate risks in achieving the company's corporate objectives, safeguarding the company's assets as well as investors interest.</p> <p>The Group will continue to focus on the key risks and corresponding controls to ensure that they are able to respond effectively to the changing business and competitive environment.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The Statement on Risk Management and Internal Control as contained in the Annual Report 2018 provides the overview of the internal control framework adopted by the Company for the financial year ended 31 December 2018.	
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 Board always place significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment.</p> <p>The Board outsourced its internal audit function to Messrs. H.H. Fong & Co., an independent professional consulting firm, which provides support to the Audit Committee ("AC") in monitoring and managing risks, controls and governance processes of the Group. The main role of the internal audit function is to review the effectiveness and adequacy of the existing internal control policies and procedures and to provide recommendations, if any, for the improvement of the control policies and procedures. The Internal Auditors has direct access and report all matters of internal control to the AC.</p> <p>During the financial year under review, the internal auditors have conducted review on the Group in accordance with the Internal Audit Plan, which have been approved by the AC.</p> <p>Details of the Internal Audit Function is set out in the AC report in the Annual Report 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company outsourced the Internal Audit Function to Messrs. H.H. Fong & Co.</p> <p>The Internal Audit Function is independent of the activities it audits and carries out its work in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, enshrined in the Internal Audit Charter to confirm the Internal Audit’s independent and has sufficient resources to carry out these duties.</p> <p>The information on the Internal Audit Function is available in the Statement on Risk Management and Internal Control in the Annual Report 2018.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. The Board, in its best efforts, keeps the shareholders and stakeholders informed of the Company's business and corporate developments and ensures that the Company's communication with them is informative and timely. The supply information to stakeholders are made via various disclosures and announcements including quarterly and annual financial results, which provides investors with up-to-date financial information of the Group.</p> <p>The Company maintains a website at www.sunzen.com.my to facilitate access to pertinent information concerning the Group and its operations, by the shareholders, consumers and general public. Announcements, news and all relevant updates are posted on the Company's website regularly.</p> <p>Another key avenue of communication with shareholders is the Company's Annual General Meeting, which serves as the principal forum for dialogue with shareholders where shareholders may raise questions or seek clarifications on the Company's business and reports from the Company's Directors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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 Company is not categorised as “Large Company” under the Malaysian Code on Corporate Governance and hence, has not adopted integrated reporting based on a globally recognised framework. Nonetheless, the Company will consider to adopt integrated reporting in the future.	
		In addition, the current Annual Report of the Company constitutes an integrated report where it laid out comprehensive information on the management discussion and analysis of the operations, corporate governance, sustainability and financial results.	
<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 of Thirteenth Annual General Meeting (“AGM”) of the Company together with the Company’s Annual Report 2017 were dispatched to the shareholders on 30 April 2018, providing 28 days’ prior notice to the Company’s AGM held on 30 May 2018.</p> <p>The Notice for the forthcoming Fourteenth AGM was given to the shareholders 28 days before the meeting scheduled for 18 June 2019 allowing shareholders to make the necessary arrangements to attend and participate in person or by corporate representative or by proxy, and consider the resolutions that will be discussed and decided at the AGM.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	<p>All Directors attended the Company's Thirteenth Annual General Meeting held on 30 May 2018 except for Tan Sri Haji Musa Bin Tan Sri Haji Hassan due to his busy schedule.</p> <p>The Board and the external auditors were in attendance to answer questions raised by shareholders.</p> <p>The presence of Directors presented opportunities for the shareholders to engage with each Director and also allowed the shareholders to direct their questions and concerns to the respective Directors and Board Committee Chairman.</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 12.3

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company does not have meetings in remote locations nor does it have a large number of shareholders for it to leverage on technology to facilitate shareholders voting in absentia or having remote shareholders' participation in general meetings. It is also not cost effective nor practical for the Company to do so.	
		The Company's general meetings have always been held at a venue which is easily accessible. Shareholders are entitled to appoint proxy/proxies to vote on their behalf in their absence at general meetings.	
<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.

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