

CORPORATE GOVERNANCE REPORT

STOCK CODE : 0148
COMPANY NAME : Sunzen Biotech Berhad
FINANCIAL YEAR : December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<ul style="list-style-type: none"> • The Board is responsible for the leadership of the Company and its subsidiaries ("Group") and is collectively responsible for the achievement of its objectives and goals. It formulates and reviews the Group's strategic direction, core values and management of the Group to ensure that the Group operates with integrity and in compliance with all the applicable laws, rules and regulations. In addition, it is also responsible to ensure good corporate governance culture is practised within the Group. • The Board leads and has effective controls over the Group whereby collective decisions and close monitoring are exercised on issues relating to strategy, performance, resources, standard of conduct and financial matters. • The Board has delegated day-to-day management of the Group to the Group Managing Director cum Group Chief Executive Officer 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 etc. <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	:	

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

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board 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	:	
<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 1.3

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 CEO 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 will continue to review the Board Charter to ensure that it is 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.</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 Conduct 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 Board has adopted a whistleblowing policy for the Group as a measure to promote the highest standard of corporate governance and transparency. The whistleblowing policy outlines the avenues for Directors, employees and stakeholders to raise concerns or disclose in good faith any improper conduct within the Group and to enable prompt corrective actions and measures to resolve them effectively.</p> <p>Any party who has reasonable belief that there is serious malpractice relating to the matter disclosed, may direct such complaint and report to the Chairman of the Audit Committee, in writing. Management will ensure that the whistleblower, who raises a genuine complaint in good faith shall not be penalised for such disclosure and the identity of such complainant shall be kept confidential.</p> <p>The Whistleblowing Policy is incorporated in the Board Charter.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Applied	
Explanation on application of the practice	:	The 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	:	

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 adhered strictly to the practice 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	:	
<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	:	Applied
Explanation on application of the practice	:	<p>There is no female director on the Board after Madam Ooi Bee Hoon resigned as a Director on 13 May 2019.</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 look into increasing female representation on the 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	:	Departure
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>Dr. Fong Chan Seng ("Dr. Fong") was appointed to the Board as an Independent Non-Executive Director on 30 May 2019. The appointment of Dr. Fong was recommended by Management of the Company.</p>
Explanation for departure	:	<p>An independent source was not utilised on the nomination of Dr. Fong as he has over 37 years of industry experience in the animal health industry and was one of the founders of the Group's subsidiary, Sunzen Corporation Sdn. Bhd., which is involved in the manufacturing and marketing of veterinary and animal health products.</p> <p>The Nomination Committee assessed the suitability of Dr. Fong and opined that the appointment of Dr. Fong was of the interest of the Group as he is equipped with vast industry experience, skills, integrity, and is well-versed with the operations of the Company, thereby allowing him to provide constructive feedback and objective opinion, particularly on the operations of the Company at the Board level.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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.</p> <p>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 include contribution in respect of interaction, quality of inputs, and understanding of role.</p> <p>The NC will complete the 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>Based on the annual assessment conducted during the financial year 2019, the NC was satisfied with the existing Board composition and concluded that each Director has the requisite competence to serve on the Board and had sufficiently demonstrated their commitment to the Company in terms of time and participation during the year under review, and recommended to the Board the re-election of the retiring Directors at the Company’s AGM. All assessments and evaluations carried out by the NC in discharge of its functions were properly documented.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 6.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The 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 the 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 terms of reference of the RC which deals with the RC’s authority and duties and the remuneration policy are 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

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 aggregate remuneration paid or payable to all Directors of the Company during the FY2019 is listed on named basis with the detailed remuneration breakdown as follows:					
Category	Fees (RM)	Salaries and allowances (RM)	Bonus (RM)	EPF, SOCSO, EIS Contribution (RM)	Meeting allowance (RM)	Total (RM)
Company:						
<u>Executive Director*</u>						
^Datuk Hong Choon Hau	-	-	-	-	-	-
^^Teo Yek Ming	-	-	-	-	-	-
<u>Non-Executive Directors</u>						
Tan Sri Haji Musa Bin Tan Sri Haji Hassan	60,000	-	-	-	1,200	61,200
Khoo Kien Hoe	26,000	-	-	-	1,600	27,600
Dr. Fong Chan Seng+	15,170	-	-	-	800	15,970
Ooi Bee Hoon#	10,830	-	-	-	200	11,030
Group:						
<u>Executive Director*</u>						
^Datuk Hong Choon Hau	-	279,600	23,300	46,358	-	349,258
^^Teo Yek Ming	-	-	-	-	-	-
<u>Non-Executive Directors</u>						
Tan Sri Haji Musa Bin Tan Sri Haji Hassan	60,000	-	-	-	1,200	61,200
Khoo Kien Hoe	26,000	-	-	-	1,600	27,600
Dr. Fong Chan Seng+	15,170	-	-	-	800	15,970
Ooi Bee Hoon#	10,830	-	-	-	200	11,030

	<p><i>*The remuneration paid to the Executive Director was in respect of his employment with the Company/Group.</i></p> <p><i>+ Dr. Fong Chan Seng was appointed as Director on 30 May 2019.</i></p> <p><i># Madam Ooi Bee Hoon resigned as Director on 13 May 2019.</i></p> <p><i>^ Datuk Hong Choon Hau resigned as the Group Managing Director cum Group CEO on 16 June 2020</i></p> <p><i>^^Teo Yek Ming appointed as the Group Managing Director cum Group CEO on 16 June 2020</i></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 7.2

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

Application	:	Departure													
Explanation on application of the practice	:														
Explanation for departure	:	<p>The Board has considered this practice and is of the opinion that the disclosure of the 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.</p> <p>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.</p> <p>The Senior Management's remuneration has been disclosed on an unnamed basis in bands of RM50,000 as follows:-</p> <table border="1"> <thead> <tr> <th>Remuneration Band</th> <th>Number of senior management</th> </tr> </thead> <tbody> <tr> <td>RM50,001 to RM100,000</td> <td>-</td> </tr> <tr> <td>RM100,001 to RM150,000</td> <td>-</td> </tr> <tr> <td>RM150,001 to RM200,000</td> <td>1</td> </tr> <tr> <td>RM200,001 to RM250,000</td> <td>2</td> </tr> <tr> <td>RM250,001 to RM300,000</td> <td>-</td> </tr> </tbody> </table>		Remuneration Band	Number of senior management	RM50,001 to RM100,000	-	RM100,001 to RM150,000	-	RM150,001 to RM200,000	1	RM200,001 to RM250,000	2	RM250,001 to RM300,000	-
Remuneration Band	Number of senior management														
RM50,001 to RM100,000	-														
RM100,001 to RM150,000	-														
RM150,001 to RM200,000	1														
RM200,001 to RM250,000	2														
RM250,001 to RM300,000	-														
<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 2019.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The 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 Board 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 annual assessment conducted 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 2020, upon which the shareholders' approval will be sought at the forthcoming Annual General 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 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. The Company is committed to ensure that 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	:	<p>The Board recognises that identification, evaluation and management of significant risks that may affect the achievement of business objectives is an ongoing process.</p> <p>The Group has engaged a consulting firm, Vaersa Advisory Sdn Bhd to assist the Board and Management in identifying major risks and mitigating controls in the form of a risk register relating to the Group's major operating entities. Updates to risk register was formally tabled to the Board on an annual basis.</p> <p>Continuous reviews are carried out by the internal audit function and Management to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place.</p> <p>The findings of the internal audit function are reported to the AC. The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement.</p> <p>Based on this assurance, the input from relevant assurance providers, as well as its review, the Board is of the view that the Group's risk management and internal control system is satisfactory to meet the Group's needs and has not resulted in any material losses, contingencies or uncertainties that require disclosure in the Group's annual report.</p> <p>The Statement on Risk Management and Internal Control in the Annual Report 2019 provides an overview on the state of internal controls and risk management within the Group.</p>
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The 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 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies 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 Group has currently outsourced its Internal Audit Function to an independent professional internal audit service provider namely Messrs. H.H. Fong. The Internal Auditors conducted their assessment and provided an independent and objective assurance to the Audit Committee and the Board on adequacy and effectiveness of the risk management and internal control systems of the Group during the Financial Year 2019.</p> <p>The number of staff deployed for the Internal Audit reviews ranges from 1 to 3 staff per visit including the engagement partner. The staff involved in the internal audit reviews possesses professional qualification and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia. The IA staff on the engagement and the engagement partner are free from any relationships or conflicts of interest, which could impair their objectivity and independence, and the internal audit reviews were conducted using a risk based approach and was guided by the International Professional Practice Framework.</p> <p>The information on the Internal Audit Function is available in the Statement on Risk Management and Internal Control in the Annual Report 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

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

Practice 11.1

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 adopting 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>In 2019, the Notice of Fourteenth Annual General Meeting (“AGM”) was sent to the shareholders at least 28 days before the AGM, in advance of the 21-days requirement under the Company’s Constitution, the Companies Act 2016 and the Listing Requirements, which provides additional time to the shareholders to allow them to make the necessary arrangements to attend and participate in person or by corporate representatives or proxies, and consider the resolutions that will be discussed and decided at the AGM.</p> <p>The Company also provides details of the AGM to the shareholders in regard to the eligibility of the shareholders, their rights to appoint proxies and other relevant information pertaining to the AGM. In addition, there are explanatory notes providing detailed explanations for the resolutions to be tabled at the AGM to enable the shareholders to make informed decisions in exercising their voting rights.</p> <p>The Notice for the forthcoming Fifteenth AGM was given to the shareholders 28 days before the meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors and Senior Management attended the Company's Fourteenth Annual General Meeting held on 18 June 2019.</p> <p>The Board, Senior Management 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 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 to the public. 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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