



ACN 632 790 660

2021 CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Australia Sunny Glass Group Limited (**ASGG** or **Company**) is responsible for establishing the Company's corporate governance framework, the key features of which are set out below.

This corporate governance statement sets out a description of the main policies and practices adopted by the Company and discloses to the extent to which the Company has complied with the Corporate Governance Principles and Recommendations 4th Edition (**Principles and Recommendations**), issued by the Australian Securities Exchange, during the financial year ended 30 June 2021. The Company will be reviewing and updating its policies and practices in the current financial year.

Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The information in this statement is current as at 30 September 2021 and has been approved by the Board.

The following governance-related documents can be found on the Company's website at <https://asgg.com.au/investor-centre/corporate-governance/>, under the section marked "Corporate Governance":

- (a) Board Charter;
- (b) Audit and Risk Committee Charter;
- (c) Nomination and Remuneration Committee Charter;
- (d) Code of Conduct;
- (e) Continuous Disclosure Policy;
- (f) Shareholder Communications Policy;
- (g) Risk Management Policy;
- (h) Securities Trading Policy;
- (i) Anti-Bribery and Anti-Corruption Policy; and
- (j) Whistleblower Policy.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, and has documented this in its Board Charter.

The responsibilities of the Board include but are not limited to:

- (a) Setting and reviewing strategic direction and planning;
- (b) Reviewing financial and operational performance;
- (c) Identifying principal risks and reviewing risk management strategies; and
- (d) Considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-venturers, the government and the community.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect a director.

Recommendation 1.3

The Company has a written agreement with each of the directors and senior executives setting out the terms of their appointment.

The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Executive Directors, any of its Non-Executive Directors, and any other person or entity who is a related party of any of its directors will be disclosed in accordance with the NSX Listing Rules.

Recommendation 1.4

The Company Secretary is accountable directly to the Board (through the Chairman, if applicable) on all matters to do with the proper functioning of the Board. The Company Secretary assists in the application of best practice in corporate governance and supports the effectiveness of the Board by:

- (a) ensuring a good flow of information between the Board, its committees, and directors;

- (b) monitoring policies and procedures of the Board;
- (c) advising the Board (through the Chairman, if applicable) of corporate governance policies; and
- (d) conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes.

Recommendation 1.5

The Company has not established a diversity policy that requires the Board to set measurable objectives for achieving gender diversity nor disclosed a policy or summary of that policy. Given the Company's size and its stage of development, ASGG has not adopted a formal policy at this stage.

The Company provides a workplace that is open to gender diversity and the Board considers that at this time no efficiencies or other benefits would be gained by introducing a formal diversity policy. The adoption of a formal diversity policy will continue to be assessed periodically as the Company's circumstances change.

Recommendation 1.6

As the Company does not presently have a nominated Chairman, the non-executive directors are responsible for evaluating the performance of the Board, its committees (if any) and executive directors in accordance with the process disclosed in the Company's Board Charter.

The Board also performs a commentary function under the Nomination and Remuneration Charter.

This policy is reviewed annually. No evaluation has been conducted during the reporting period.

Recommendation 1.7

The Executive Directors are responsible for evaluating the performance of the Company's senior executives.

As the Company does not presently have a nominated Chairman, the Board as a whole is responsible for evaluating the performance of the Company's Executive Directors.

No formal evaluation of the performance of the Company's Executive Directors and senior executives was conducted during the reporting period. ASGG is looking to establish an annual review process to ensure that the Board is able to meet the demands of a rapidly changing word and oversee the implementation of the Company's long-term strategy.

Principle 2: Structure the board to add value

Recommendation 2.1

Due to the size of the Board, the Company does not have a separate nomination committee (**NC**). The roles and responsibilities of the committee are currently undertaken by the Board.

The duties of the full Board acting in its capacity as NC are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website.

When the Board meets as a committee, it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by an NC are marked as separate agenda items at Board meetings when required.

Recommendation 2.2

The mix of skills and diversity which the Board is looking to achieve in its composition is:

- (a) a broad range of business experience; and
- (b) technical expertise and skills required to discharge duties.

However, a formal Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership has not been established, and therefore the Company does not comply with Recommendation 2.2. As mentioned above, ASGG is looking to establish an annual review process for its Board and will give consideration to the establishment of such a matrix.

Recommendation 2.3

The Board considers the independence of directors having regard to the relevant factors listed in Box 2.3 of the Principles and Recommendations. Currently the Board is structured as follows:

- (a) Shengqiang (Sunny) Chi (Managing Director) – appointed 7 August 2020;
- (b) Sok Kiang Teoh (Executive Director) – appointed 8 April 2019;
- (c) Seok San (Susan) Tan (Non-Executive Director) – appointed 8 April 2019; and
- (d) Michael Liew (Non-Executive Director) – appointed 1 June 2020.

Sunny Chi and Sok Kiang Teoh are both executive directors, and accordingly, are not considered to be independent.

Susan Tan is a substantial shareholder and therefore not considered to be independent.

Michael Liew is considered to be an independent non-executive director as he is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

Recommendation 2.4

The Company is at variance with Recommendation 2.4 in that the majority of directors are not independent. The Board has determined that the current composition of the Board is appropriate, as the directors have a suitable range of qualifications and expertise to understand and competently deal with current and emerging business issues and effectively review and challenge the performance of management. In addition, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.4, all directors bring an independent judgement to bear on Board decisions.

Recommendation 2.5

The Company does not presently have a chairman.

Recommendation 2.6

It is a policy of the Company that new directors undergo an induction process in which they are given a full briefing on the Company.

ASGG understands that directors should be encouraged to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively and will look to establish and implement a development guideline, in line with an annual review process for its Board of Directors.

Principle 3: Act ethically and responsibly

Recommendation 3.1

The Company will look to refreshing its organisational values in the current financial year and beyond as it emerges from a challenging FY2021.

Recommendation 3.2

The Company is committed to promoting good corporate conduct grounded on strong ethics and responsibility. The Company has adopted a Code of Conduct (**Code**) which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. The Code may be amended from time to time by the Board and is disclosed on the Company's website. The Code applies to all directors, employees, contractors and officers of the Company.

Recommendation 3.3

The Whistleblower Policy demonstrates that the Company is committed to high standards of conduct and ethical behaviour in all its business activities. The Company supports a culture of honest and ethical behaviour in ensuring good corporate compliance and governance. The policy sets out, amongst other things, instances of suspected misconduct which can be reported to the internal and external parties and summarises the protections offered to whistleblowers. Any material breach of the Company's policies, including any breach of the Whistleblower Policy, is raised and reviewed at Board Meetings.

Recommendation 3.4

The Anti-Bribery and Corruption Policy demonstrates that the Company is committed to maintain high standards of integrity and accountability in conducting its business. The policy provides a framework of guidelines and principles to encourage ethical behaviour in the conduct of business. Any material breach of the Company's policies, including any breach of the Anti-Bribery and Corruption Policy, is raised and reviewed at Board Meetings.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1

Due to the size of the Board, the Company does not have a separate audit committee (**AC**). The roles and responsibilities of an AC are undertaken by the Board.

The full Board in its capacity as the AC is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the AC and is disclosed on the Company's website.

When the Board meets as a committee, it carries out those functions which are delegated to it in the Company's Audit Committee Charter. Items that are usually required to be discussed by the committee are marked as separate agenda items at Board meetings when required.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when a vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the

Company throughout the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

Recommendation 4.2

Before the Board approves the Company's financial statements for each financial period it receives from the Managing Director and the Chief Financial Officer (or equivalents) a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which are operating effectively.

Recommendation 4.3

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the annual report is considered, and must arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company informs the Company's auditor of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chairman of the meeting allows a reasonable opportunity for the members present at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit.

The Chairman also allows a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1

The Company is committed to:

- (a) ensuring that shareholders and the market are provided with full and timely information about its activities;
- (b) complying with the continuous disclosure obligations contained in the Listing Rules and the applicable sections of the Corporations Act; and
- (c) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a Continuous Disclosure Policy, which is available on the Company's website.

The policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the NSX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff.

The Managing Director (or equivalent) manages the policy. The policy will develop over time as best practice and regulations change and the Company Secretary will be responsible for communicating any amendments. The policy is reviewed by the Board annually.

Recommendation 5.2

The Company ensures that its Board receives copies of all material market announcements prior to release to the market followed by immediate notification, including the announcement, following its release to the market.

Recommendation 5.3

In accordance with the recommendation, the Company ensures that all substantive presentations are released to the NSX and the market prior to a presentation taking place.

Principle 6: Respect the rights of security holders

Recommendation 6.1

The Company provides information about itself and its governance to investors on the Company's website. The Company is committed to maintaining the website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by NSX, the following are uploaded on the website:

- (a) relevant announcements made to the market via NSX;
- (b) media releases;
- (c) investment updates;

- (d) Company presentations and media briefings;
- (e) copies of press releases and announcements for the preceding three years; and
- (f) copies of annual and half yearly reports including financial statements for the preceding three years.

Recommendation 6.2

The Company has a Shareholder Communications Policy which aims to ensure that shareholders are informed of all major developments of the Company. The policy is disclosed on the Company's website.

Information is communicated to shareholders via:

- (a) reports to shareholders;
- (b) NSX announcements;
- (c) annual general meetings;
- (d) general meetings; and
- (e) the Company's website.

While the Company aims to provide sufficient information to shareholders about the Company and its activities, it understands that shareholders may have specific questions and require additional information. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has provided the relevant contact details on the Company's website for shareholders to make their enquiries.

Recommendation 6.3

The Board encourages full participation of shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals.

However, due to the size and nature of the Company, the Board does not consider a policy outlining the policies and processes that it has in place to facilitate and encourage participating at meetings of shareholders to be appropriate at this stage.

Recommendation 6.5

In order to ascertain the true will of the Company's security holders attending and voting at its security holder meetings, whether they attend in person, virtually or by proxy or other representative, in most situations where this can be achieved the Company will conduct the voting procedure by a poll.

Recommendation 6.5

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically.

Principle 7: Recognise and manage risk

Recommendation 7.1

Due to the size of the Board, the Company does not have a separate Risk Committee (**RC**). The Board is responsible for the oversight of the Company's risk management and control framework.

The Board has adopted a Risk Management Policy, which is disclosed on the Company's website. Under the policy, responsibility and control of risk management is delegated to the appropriate level of management within the Company with the Managing Director (or equivalent) having ultimate responsibility to the Board for the risk management and control framework.

The risk management system covers:

- (a) operational risk;
- (b) financial reporting;
- (c) compliance/regulations; and
- (d) system/IT process risk.

The Company has developed a series of standard operating procedures (**SOP**) that provide a framework to assist in understanding and identifying the types of business risks threatening the Company as a whole, or specific business activities within the Company.

Recommendation 7.2

The Board will endeavour to review the Company's risk management framework annually to satisfy itself that the framework continues to be sound, to determine whether there have been any changes in the Company risk profile and to ensure that the Company is operating within the risk appetite set by the Board.

Arrangements put in place by the Board to monitor risk management include, but are not limited to:

- (a) monthly reporting to the Board in respect of operations and the financial position of the Company; and
- (b) preparation of quarterly rolling forecasts.

Recommendation 7.3

The Company undertakes certain internal audit activities, including monthly audits of sales activities in selected areas to ensure compliance with the Company's SOP. Consideration will be given to expanding the internal audit function to other areas in the future.

Recommendation 7.4

The Board does not consider the Company has any material exposure to economic, environmental or social sustainability risks at the present time.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

Due to the size of the Board, the Company does not have a separate remuneration committee (**RC**). The roles and responsibilities of a remuneration committee are currently undertaken by the Board.

The duties of the full board in its capacity as a RC are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website.

When the Board meets as an RC, it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by the RC are marked as separate agenda items at Board meetings when required.

Recommendation 8.2

Details of the Company's policies on remuneration are set out in the "Remuneration Report" contained in each annual report published by the Company. This disclosure includes a summary of the Company's policies regarding remuneration of non-executive directors and the Company's Chief Executive Officer.

Recommendation 8.3

The Company does not have an equity-based remuneration scheme.