

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 3611  
**COMPANY NAME** : PARAGON GLOBE BERHAD  
**FINANCIAL YEAR** : March 31, 2018

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("Board") has established clear roles and responsibilities in discharging its functions. The roles and responsibilities of the Board are set out in the Board Charter, which is available on the Company's website at <a href="http://www.pgbgroup.com.my">www.pgbgroup.com.my</a>.</p> <p>The Board has delegated specified matters to Board Members and the Board Committees to oversee critical or major functional areas and to address matters which require detailed review or in-depth consideration. The Board Committees' roles and responsibilities in its functions which had been delegated by the Board are set out in each respective Board Committees' Terms of Reference which available on the Company's website.</p> <p>The Board and employees are committed to adhere to the Code of Conduct and Ethics.</p> <p>The Board has overall responsibility to set strategies for promoting the sustainable growth and financial soundness of the Company and its subsidiaries. The Independent Non-Executive Directors would ensure corporate accountability by providing unbiased and independent views, advice and judgement and challenging the Management's assumptions and projections in safeguarding the interests of the shareholders.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are</i></p>		

<i>encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The role and responsibilities of the Chairman of the Board is clearly set out in the Board Charter, which is available on the Company's website.</p> <p>The duties and responsibilities of the Chairman and Executive Directors are distinct and separate, to ensure a balance of power and authority.</p> <p>The Board of Paragon Globe Berhad is chaired by Non-Independent Non-executive Dato' Tan Eng Boon by provides strong leadership as the Chairman of the Company and is able to provide effective strategic direction and necessary governance to the Group.</p> <p>The Chairman acts as facilitator at meetings of the Board by giving to other Board Members ample time to deliberate during the stipulated meeting time and ensures that no Board Member, whether executive or non-executive, dominates the discussion.</p> <p>The Chairman also ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.</p> <p>The present Chairman of the Board was appointed on 27 November 2017 and the previous Chairman is Tan Sri Dato' Tan Hua Choon who retired as non-independent non-executive Chairman on 08 November 2017.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The positions of Chairman and Managing Director are held by different individuals which have clear distinction roles and responsibilities to ensure a clear balance of power and authority in the Company.</p> <p>Dato' Tan Eng Boon is the Non-Independent Non-Executive Chairman while Dato' Sri Edwin Tan Pei Seng is the Managing Director.</p> <p>The Chairman will be responsible for providing strong leadership to the Board while the Managing Director held responsibilities in oversee the operations of the Company and ensure the management is striking towards the same directions with the Board's policies.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Our Company Secretaries met the requirements of Companies Act, 2016. Besides attending meetings and discharging their basic duties such as maintaining of statutory books, they always kept themselves abreast with latest development. They would update the Directors on new statutory as well as regulatory requirements relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.</p> <p>During the financial year ended 31<sup>st</sup> March 2018, the Company Secretary has conducted briefings to the Board on the following matters:-</p> <ul style="list-style-type: none"> <li>• Amendments to the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad;</li> <li>• The new Companies Act, 2016 issued by Companies Commission of Malaysia ("SSM"); and</li> <li>• The new Malaysia Code on Corporate Governance issued by the Securities Commission Malaysia in April 2017.</li> </ul> <p>They also guide the Directors and Management of the application of the Malaysian Code on Corporate Governance.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All Directors are furnished with the agenda of meetings together with a due notice, Board or Board Committees papers and reports at least five (5) business days prior to the Board and Board Committee Meetings or any other time frame agreed with the Board when necessary. This allow sufficient time for the Directors to review, consider and deliberate knowledgeably on the issues so as to enable them to participate effectively in the Board's decisions.</p> <p>The minutes of each Board and Committee Meeting(s) are circulated to all Directors within a reasonable timeframe after the meeting for their review to be confirmed and adopted at the next meeting.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



## 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.

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Board Charter serves as a source reference to the Board for matters relating to the Board's organisation. It also serves to provide guidance to the Board members in the performance of their duties, roles and responsibilities as Directors. It will also assist the Board in the assessment of its own performance and of its individual Directors.</p> <p>The Company has adopted the Board Charter and is subject to review from time to time to ensure the Company remains at the forefront of best practices of Corporate Governance.</p> <p>The Board Charter is publicly made available on the Company's website at <a href="http://www.pgbgroup.com.my">www.pgbgroup.com.my</a>.</p> <p>The roles and responsibilities of the Chairman, Executive Directors, Non-Executive Directors and Company Secretary are clearly outlined in the Company's Board Charter.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	

<b>Timeframe</b> :		
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## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Company has in place a Code of Conduct and Ethics ("Code of Conduct") to set the tone for proper and ethical behaviour expected of the Board members and the employees. The Code of Conduct serves as a reference to help guide actions and behaviours while working for and/or dealing with the Company to maintain high standards of businesses ethics and encourage performance with integrity.  All employees of the Group are required to read, understand, accept and abide by the terms of Code of Conduct.  The details of the Company's Code of Conduct is available on the Company's website at <a href="http://www.pqbggroup.com.my">www.pqbggroup.com.my</a> .	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Company has in place a Whistle Blowing Policy which aims to protecting integrity, transparency, impartiality and accountability where the Group conducts its business.</p> <p>The Whistle Blowing Policy facilitates the whistle-blower to report or disclose through established channels about any violations or wrongdoings they may observe in the Group without fear of retaliation and in doing so they should act in good faith when reporting such concerns. The Whistle Blowing Policy not only facilitate but also assure the whistle-blowers that they will be protected from reprisals, discrimination or victimization.</p> <p>Only genuine concerns should be reported under the whistleblowing procedures. The report should be made in good faith with a reasonable belief that the information and any allegations made are substantially true and the report is not made for personal gain. Malicious and false allegations will be viewed seriously and treated as a gross misconduct and if proven may lead to dismissal.</p> <p>The Whistle Blowing Policy will be reviewed by the Board on ad hoc basis to assess its relevance and effectiveness.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	

<b>Timeframe</b> :		
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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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Board currently comprises of six (6) members of which three (3) of whom are Independent Non-Executive Directors (INEDs). The Board's composition complies with the Main Market Listing Requirements of Bursa Securities which requires a minimum of 2 Directors or 1/3 of the Board, whichever is higher to be Independent Directors.</p> <p>The present of half INEDs allow the Board's deliberations and decisions to be made objectively in the best interest of the Company.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Not applicable – No independent director(s) serving beyond nine (9) years	
<b>Explanation on application of the practice</b> :	None of the Independent Non-Executive Directors of the Company have exceeded the cumulative terms of nine years.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on application of the practice</b> :	.



## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Board has adopted a formal policy on diversity of the Company by taking into consideration a range of difference professional experience, business experience, skills, knowledge, gender, age, ethnicity and educational background as the Board acknowledge the importance of diversity to ensure robust decision-making processes with a diversified viewpoint and the effective governance of the Company.</p> <p>The Diversity Policy is available on the Company's website at <a href="http://www.pgbgroup.com.my">www.pgbgroup.com.my</a>.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b> :	Departure	
<b>Explanation on application of the practice</b> :		
<b>Explanation for departure</b> :	<p>The Board recognises the benefit for having gender diversity and values the different perspectives from women Director during appointment of Director should always prioritise merit and with due regard to the candidate’s background, experience, and competency so that an appointment would add value to the Board and the Company.</p> <p>The Board is working towards to maintain an environment regardless of their gender and the appointment of women directors will based on their skills, knowledge and experience where the requirements shall be equal to other directors regardless of the gender.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Departure	
<b>Explanation on application of the practice</b> :		
<b>Explanation for departure</b> :	The Board not only relies on recommendations from the Nomination Committee on the suitable candidates to be considered for the appointment as Directors that is facilitated through recommendations from the existing Directors, Management and shareholders of the Company but also considering to engage independent directors through various sources to identify suitably qualified candidates during the year.	
	<p>The responsibilities of the Nomination Committee in this regard are outlined in its Terms of Reference.</p> <p>In evaluating potential candidates, the Nomination Committee will assess directorship suitability based on the objective criteria, including:</p> <ul style="list-style-type: none"> <li>• qualification;</li> <li>• required competencies, skills, expertise and experience;</li> <li>• specialist knowledge or technical skills;</li> <li>• professionalism and integrity; and</li> <li>• time commitment to the Company.</li> </ul>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Nomination Committee is chaired by Dato' Haji Ismail Bin Karim who is the Independent Non-Executive Director.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	The Nomination Committee conducted its annual appraisal via questionnaires on the effectiveness of the Board, its Committees and the contribution of each Director. The assessment involved individual Directors completing separate evaluation questionnaires regarding mix of skill and experience, independence of the Independent Directors, evaluation of Board and Board Committees, in respect of fit and proper, performance, contribution to interaction – constructive expression of views and issues, quality of input and understanding of role as a Director. The results of these assessment are summarised by the Company Secretary and discussed by the Nomination Committee and thereafter reported to the Board. The Nomination Committee also took note of each individual Director’s attendance at the Board meetings, Board Committee meetings and Annual General Meetings, their participation in discussions during the meetings and their commitment of time to the Company. The Nomination Committee, upon the review being carried out, is satisfied that the size of the Board is optimum and that there is an appropriate mix of experience and expertise in the composition of the Board and its Committees.
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	

<b>Timeframe</b> :		
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## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee is entrusted with the role of determining and recommending to the Board the remuneration framework as well as remuneration packages of the Board and Senior Management staff necessary to attract, retain and motivate Directors.</p> <p>The Board has established a Remuneration Policies and Procedures for Directors and Senior Management and is periodically reviewed.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Board has established a Remuneration Committee which comprise a majority of Non-Executive Directors.</p> <p>The Remuneration Committee discharges its responsibilities in accordance with its Terms of Reference, among others, reviewing the remuneration packages, reward structure and fringe benefits applicable to the Board; and making the appropriate recommendation to the Board.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		



## 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.

<b>Application</b> :	Departure	
<b>Explanation on application of the practice</b> :		
<b>Explanation for departure</b> :	The Board is of the view that the disclosure of information other than as disclosed in the Annual Report is detrimental to the Company's management of its human resources due to the competitive environment for resources within the industries the Company and its subsidiaries operate in. While the Board has set policies and procedures in setting the remuneration of key personnel, such disclosure may also be disadvantageous to the Group's business interest and will hinder its recruitment and retention of key personnel.	
	As an alternative, the Company has disclosed the remuneration of its directors breakdown by category and in the band of RM50,000 in the Annual Report.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Departure	
<b>Explanation on application of the practice</b> :		
<b>Explanation for departure</b> :	The Board is of the view that the disclosure of information other than as disclosed in the Annual Report is detrimental to the Company's management of its human resources due to the competitive environment for resources within the industries the Company and its subsidiaries operate in. While the Board has set policies and procedures in setting the remuneration of key personnel, such disclosure may also be disadvantageous to the Group's business interest and will hinder its recruitment and retention of key personnel.	
	As an alternative, the Company has disclosed the remuneration of its top five (5) senior management personnel in the band of RM50,000 in the Annual Report.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Not Adopted
<b>Explanation on application of the practice</b> :	

## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Audit Committee is chaired by an Independent Non-Executive Director, Mr Tee Boon Hin. Meanwhile, the Chairman of the Board is Dato' Tan Eng Boon, the Non-Independent Non-Executive Director.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Currently, none of the Audit Committee members is a former key audit partner. If a former key audit partner is to be appointed as a member of Audit Committee, he or she would need to observe the cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.</p> <p>The Terms of Reference of the Audit Committee will be amended to clearly provide that in the event that a former key audit partner of the External Auditors is appointed as a member of the Audit Committee, shall be subject to a minimum two (2) years cooling-off period before being appointed as a member of the Audit Committee.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Audit Committee is responsible for assessing the capabilities and independence of the external auditors and to make adequate recommendations to the Board on the appointment, re-appointment or termination of the external auditors. The Audit Committee reviews the suitability, objectivity and independence of the external auditors on an annual basis. The review process covers the assessment of the independence of the external auditors, the evaluation of the performance, quality of work, audit fee and the adequacy of resources.</p> <p>The Audit Committee has met with the external auditors twice without the presence of Executive Directors and the Management to allow the Audit Committee members and the external auditors to exchange independent views on matters which required the Audit Committee's attention.</p> <p>The external auditors also provided assurance to the Audit Committee on its independence via the Audit Planning Memorandum. The Audit Committee is satisfied with the suitability, independence and objectivity of the external auditors.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Adopted
<b>Explanation on application of the practice</b> :	<p>The Audit Committee comprises of the following Non-Executive Directors, all of whom are independent: -</p> <ul style="list-style-type: none"><li>• Mr Tee Boon Hin (Chairman);</li><li>• Dato' Haji Ismail Bin Karim (Member); and</li><li>• Tan Sri Datuk Wira Dr. Hj. Mohd Shukor Bin Hj. Mahfar (Member)</li></ul> <p>This enables the Committee to exercise its independent judgement objectively in the best interest of the Company and communicate with external auditors independently regarding the matters that require Audit Committee attention.</p>

## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Chairman of the Audit Committee, Mr Tee Boon Hin, is a member of the Malaysian Institute of Accountants. All other Audit Committee member are equipped with knowledge and skills from various industries and coupled with their years of experience, they are able to provide advice to the Board.  During the financial year 2018, the members keep themselves abreast of relevant developments in the accounting standards and corporate governance practices. The details of the continuous professional development undertaken by each member are presented in the Corporate Governance Overview Statement of the Annual Report.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		



## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	<p>The Board acknowledges that risk management and internal controls is an integral part of the overall management processes which is an ongoing process to identify, evaluate, monitor and manage and mitigate the risks that may affect the achievement of its business and corporate objectives.</p> <p>The Risk Management Committee assists the Board in overseeing the risk management process within the Group, establishing and implementing a risk management framework and reviewing the effectiveness of the risk management framework.</p> <p>The Statement on Risk Management and Internal Controls which provides an overview of the state of internal controls within the Group is set out in the Annual Report.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Statement on Risk Management and Internal Controls is disclosed in the Annual Report. The Board is satisfied that the risk management and internal control system in place for the year under review is adequate and effective to safeguard investment, the interest of customers, regulators, employees, and the Group's assets.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Adopted
<b>Explanation on application of the practice</b> :	<p>The Board has established the Risk Management Committee which comprised of wholly Independent Non-Executive Directors. The Risk Management Committee comprised of the following members:-</p> <ul style="list-style-type: none"><li>• Tan Sri Datuk Wira Dr. Hj. Mohd Shukor Bin Hj. Mahfar (Chairman);</li><li>• Mr Tee Boon Hin (Member); and</li><li>• Dato' Haji Ismail Bin Karim (Member).</li></ul>

## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Group outsourced its internal audit function to a professional service firm, which reports directly to the Audit Committee to assist the Audit Committee in discharging its duties and responsibilities. The Internal Auditor undertakes internal audit function based on the audit plan that is reviewed and approved by the Audit Committee.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group has outsourced its internal audit function to external consultant which personnel are free from any relationship or conflict of interest or undue influence of others which could impair their independence and report directly to the Audit Committee.</p> <p>The internal audit is headed by a qualified member of Certified Practising Accountant (CPA) Australia.</p> <p>A brief statement on the internal audit function and summary of key activities are disclosed under Audit Committee Report and Statement on Risk Management and Internal Control in the Annual Report.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Board recognises the importance of an effective communication channel between the Board, shareholders and the investment community. The Annual General Meeting represents the principal forum for dialogue and interaction with shareholders where shareholders are informed of the current developments. At the AGM, the Board provides ample time for the question and answer session and for shareholders to give their views to the Board. The Company also maintains its corporate website that allows all shareholders and investors access to information about the Group as well as announcements made to Bursa Malaysia Securities Berhad at <a href="http://www.pgbgroup.com.my">www.pgbgroup.com.my</a> which is updated regularly to provide the latest information about the Group, including announcements and quarterly results of the Group.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Departure	
<b>Explanation on application of the practice</b> :		
<b>Explanation for departure</b> :	The Company is not a large company as defined under the Malaysian Code on Corporate Governance.	
	Presently, the Annual Report provides a fairly comprehensive overview on the Group's financial and non-financial information including the outlook and prospects of the Group to stakeholders.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Notice of Seventy First Annual General Meeting (“AGM”) of the Company is given to the shareholders at least 28 days before the date of holding the AGM.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		



## 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.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	All Board and Board Committee members are present at the Annual General Meetings to respond to any shareholders' queries during the meeting.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b> :	Departure	
<b>Explanation on application of the practice</b> :		
<b>Explanation for departure</b> :	The Company's AGM was held in the city centre and not in a remote location.	
	In the event shareholders are unable to attend the AGM, the shareholders are allowed to appoint any person(s) as their proxies to attend, speak and vote in his/her stead at the AGM.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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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