

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 8311  
**COMPANY NAME** : Pesona Metro Holdings Berhad  
**FINANCIAL YEAR** : December 31, 2017

## 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.

|   |   |  |
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| <b>Application</b>  | : | Applied  |
| <b>Explanation on application of the practice</b>   | : | <p>The Board of Directors ("the Board") is responsible for the stewardship of the Company's business and affairs with a view to enhance long term shareholders value as well as investor interest while taking into account the interests of other stakeholders and maintaining high standards of transparency, accountability and integrity.</p> <p>The Board provides stewardship to the Group's strategic direction and operations. The Board is primarily responsible for reviewing and adopting a sustainable strategic business development plan, overseeing the conduct of the businesses and evaluating whether or not the businesses are being properly managed.</p> <p>To ensure the effective discharge of its function and responsibilities, the Board has delegated specific responsibilities to the Audit Committee, Nomination Committee and Remuneration Committee which operate within their respective Terms of Reference.</p> <p>The principle roles and responsibilities of the Board can be found in the Board Charter which can be viewed at <a href="http://www.persona.com.my">www.persona.com.my</a>.</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> |   |  |

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| <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.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | The Chairman of the Board has the following responsibilities:<br><br>(a) provides leadership for the Board so that the Board can perform its responsibilities effectively;<br><br>(b) sets the Board agenda and ensures that Board members receive complete and accurate information in a timely manner;<br><br>(c) leads Board meetings and discussions ensures appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole;<br><br>(d) encourages active participation and allows dissenting views to be freely expressed;<br><br>(e) leads the Board in establishing and monitoring good corporate governance practices in the Company. |
| <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.

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|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Company practices the division of responsibility between the Chairman and Managing Director and there is a balance of executive, non-executive and independent non-executive Directors. The roles of the Chairman and MD are separate and clearly defined, and are held individually by two persons.</p> <p>The Chairman, Dato' Sri Lee Tuck Fook is an Independent Non-Executive Director and the Managing Director is Mr Wie Hock Beng.</p> <p>The Managing Director is primarily responsible for the effective implementation of the Company's strategic plan and policies established by the Board, managing the daily conduct of business to ensure its smooth operations, supervision and management of the Company.</p> <p>The Chairman provides leadership for the Board so that the Board can perform its responsibilities.</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.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Company Secretaries are qualified to act under Section 235 of the Companies Act 2016</p> <p>The Company Secretaries are responsible for :</p> <ul style="list-style-type: none"><li>(a) attending Board and Board Committees meetings as well as general meetings and ensuring the proceedings of meetings are recorded and the minutes circulated in a timely manner;</li><li>(b) advising the Board on its roles and responsibilities;</li><li>(c) updating the Board on corporate disclosures and compliance with the Main Market Listing Requirements, company and securities legislations, and related regulations;</li><li>(d) advising the Board on governance matters;</li><li>(e) maintaining records of the Board and ensure effective management of the organisation records.</li></ul> <p>The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the Malaysian Institute of Chartered Secretaries and Administrators for practicing company secretaries.</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> |   |  |

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|------------------|---|--|--|
| <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.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board members receive meeting materials within a reasonable period prior to the meetings. All matters discussed and resolutions passed at each Board meeting are recorded in the minutes of the meeting.</p> <p>The Managing Director and/or Senior Management will present the papers at the meetings to brief the Board and/or Board Committees on the contents therein.</p> <p>Minutes of meetings are circulated and confirmed as a correct record by the Board and Board Committees at the following meeting.</p> <p>The Directors have unrestricted access to the advice of the Company Secretary and Senior Management and may also seek independent professional advice and information in the furtherance of their duties and responsibilities at the Company's expense, so as to ensure that the Directors are able to make independent and informed decisions.</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.

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|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board is guided by the Board Charter which serves to ensure all Board members are fully aware of their roles and responsibilities.</p> <p>The Board periodically reviews and updates the Board Charter in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities. The Board Charter which was last updated on 27 February 2018 is available on the Company's website at <a href="http://www.pesona.com.my">www.pesona.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

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 code of conduct for Directors is embedded in the Board Charter which was last updated on 27 February 2018. Directors are expected to act in good faith and in the best interest of the Company and exercise due diligence when discharging their duties as Director. For the Group's employees, the code of conduct is defined in the human resource policies and procedures. |
| <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>   | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice.  |
| <b>Timeframe</b>   | : | Choose an item.   |

**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.

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|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board has established the whistleblowing policy on 27 February 2018 which sets out the procedures which must be followed to enable employees to voice their concerns without fears of retaliation and with the confidence that their complaints will be acted upon and their identities kept confidential.</p> <p>The Whistleblowing Policy is available on the corporate website at <a href="http://www.pesona.com.my">www.pesona.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 4.1

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

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| <b>Application</b>   | : | Departure   |  |
| <b>Explanation on application of the practice</b>  | : |   |  |
| <b>Explanation for departure</b>   | : | The Board currently has five members, comprising one Non-Independent Executive Director (being the Managing Director), two Non-Independent Non-Executive Directors and two Independent Non-Executive Directors. The composition of the Board fulfils the requirement of Paragraph 15.02(1) of the MMLR. |  |
|  |   | The Board is of the view that the Independent Directors provide an effective check and balance in the functioning of the Board and the Board composition fairly reflects the interest of minority shareholders within the Group.  |  |
|  |   | The Board will take steps to identify a suitable female candidate who best fits the Company's needs, for appointment as an Independent Director.  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : | Please explain the measure(s) the company has taken or intend to take to adopt the practice.  |  |
| <b>Timeframe</b>   | : | Choose an item.   |  |

**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.

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| <b>Application</b>   | : | Not applicable - No independent director(s) serving beyond 9 years |  |
| <b>Explanation on application of the practice</b>  | : |  |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <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.

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| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption 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.

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Nomination Committee is delegated with the responsibility of assessing and considering suitable candidates of the appointment of Board and Senior Management taking into consideration their capabilities, professionalism, integrity, expertise and experience.</p> <p>In identifying suitable persons for appointment as Directors due consideration shall be given to the candidates' skills, knowledge, expertise and experience, professionalism, character, integrity, reputation and competence, boardroom diversity including gender diversity; and in the case of candidates for the position of Independent Directors, the Nomination Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Directors.</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.

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| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Group is an equal opportunity employer and all appointments to the Board and employment of all staff are based on objective criteria, merit, skills and experience and may not be driven by any age, cultural background or gender.<br><br>The gender diversity of the Group is disclosed in the Sustainability Report. |  |
| <b>Explanation for departure</b>   | : |   |  |
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| <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.

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | The Nomination Committee will be guided by the principles mentioned under Practice 4.4. The Nomination Committee will reply on sources from existing Board members, Management, major shareholders and other independent sources such as executive search firms etc. |  |
| <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 4.7**

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

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | The Nomination Committee is chaired by Dato' Sri Lee Tuck Fook, an Independent Director. |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <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.

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|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Nomination Committee conducts an annual assessment on the Board, the Board Committees and Directors. This exercise involves Directors completing questionnaires covering the assessment of the Board and Board Committee's performance, assessment of individual Directors and assessment on independence.</p> <p>The Directors' responses are collated by the Company Secretaries and a summary of the findings was presented to the Nomination Committee for deliberation. The Chairman of the Nomination Committee reports the findings 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

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.

|  |   |   |
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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | The Remuneration Committee reviews the remuneration of the Directors, Board Committees and Senior Management on an annual basis and makes recommends to the Board for approval.<br><br>Where deemed necessary, the Remuneration Committee may obtain independent professional advice at the Company's expense in accordance with the procedures set out in the Board Charter. |
| <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.

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | The Board has established a Remuneration Committee. The Terms of Reference of the Remuneration Committee which sets out its roles and responsibilities in relation to remuneration of the Board and Senior Management was last updated on 27 February 2018.<br><br>The Terms of Reference of the Remuneration Committee is available at <a href="http://www.pesona.com.my">www.pesona.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

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.

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| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The details of the remuneration of Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the financial year ended 31 December 2017 are disclosed in Corporate Governance Overview Statement. |  |
| <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 7.2

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.

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|--|---|---|
| <b>Application</b>   | : | Departure   |
| <b>Explanation on application of the practice</b>  | : |   |
| <b>Explanation for departure</b>   | : | <p>The Board is of the view that recommendation of Practice 7.2 is not in the best interest of the Company and therefore, has decided to depart from the recommendation in order to preserve confidentiality, avoid negative impact arising from such disclosure and more importantly, to maintain a stable and harmonious working environment to meet the Group's long-term goals and strategies.</p> <p>As an alternative, the Company has disclosed the remuneration of the Senior Management personnel in the band of RM50,000 in Corporate Governance Overview Report.</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**

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.

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|--|---|-------------|
| <b>Application</b>                             | : | Not Adopted |
| <b>Explanation on adoption 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.

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|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | The Chairman of the Audit Committee is Loh Kong Fatt while the Chairman of the Board is Dato' Sri Lee Tuck Fook. |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <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.

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|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Company has not appointed a former key audit partner as an Audit Committee member before.</p> <p>Nevertheless, the Board has updated the Terms of Reference of the Audit Committee to state that no former key audit partner shall be appointed as a member of the Audit Committee before observing a cooling-off period of at least two (2) years.</p> <p>The updated Terms of Reference of Audit Committee can be accessed at <a href="http://www.pesona.com.my">www.pesona.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

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.

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|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The assessment on the suitability and independence of the External Auditors is covered under the Terms of Reference of the Audit Committee.</p> <p>The Company has also formalised a Policy on External Auditors. The Policy details the Audit Committee's responsibilities concerning the following:</p> <ul style="list-style-type: none"><li>(a) establishing policies and procedures to assess the suitability and independence of External Auditors;</li><li>(b) reviewing and monitoring the suitability and independence of the External Auditors; and</li><li>(c) establishing policies and procedures in governing circumstances for contracts of non-audit services to be entered with External Auditors.</li></ul> |
| <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> :                             | Not Adopted |
| <b>Explanation on adoption 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 8.5

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 members of the Audit Committee have the necessary skills to discharge its duties and are financially literate.<br><br>The Company is committed to ensure that its Audit Committee members keep abreast of relevant developments in accounting and auditing standards. |
| <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 has established the risk management and internal control framework to identify and assess the risks faced by the Group. The risk management report and the internal control report is presented to the Audit Committee on a quarterly basis.</p> <p>Further details can be found in the Statement on Risk Management and Internal Control.</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>  | : | Details of the features of risk management and internal control framework and the adequacy and effectiveness of the framework are disclosed in the Statement on Risk Management and Internal Control. |  |
| <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> :                             | Not Adopted |
| <b>Explanation on adoption of the practice</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 10.1**

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>  | : | <p>The Company has appointed Axcelasia Columbus Sdn Bhd (formerly known as Audex Governance Sdn Bhd) to manage the Company's internal audit function on an outsourced basis.</p> <p>The Internal Auditors report independently and directly to the Audit Committee in respect of the Internal Audit function. The Audit Committee together with the Internal Auditors agree on the scope and planned Internal Audit activities annually and all audit findings arising therefrom are reported to the Audit Committee on a quarterly basis.</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 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>  | : | A statement on the Internal Audit Function with the required disclosures is available under the Statement on Risk Management and Internal Control. |  |
| <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 11.1

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>  | : | <p>The Board ensures that shareholders are presented with a clear, balanced and meaningful assessment of the Company's financial performance and prospects through the audited financial statements, annual report, quarterly announcement, Annual General Meeting and the Company's website.</p> <p>The Annual Report is the main channel of communication between the Company and its shareholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group.</p> <p>The Annual General Meeting is another key channel of communication with shareholders that provides a useful platform for shareholders to engage directly with the Directors.</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 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>   | : | Not applicable as the Company is not a Large Company as defined under the MCGG. |  |
|  |   |   |  |
| <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 the Seventh Annual General Meeting is served to the shareholders on 27 April 2018, at least 28 days before the meeting which will be held on 13 June 2018. |  |
| <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 5 Directors, including the Chairmen of the Audit, Nomination and Remuneration Committees, were present in person to engage directly with the shareholders at the Sixth Annual General Meeting.<br><br>Senior Management and External Auditors were also in attendance. |  |
| <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>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>The Company's Annual General Meetings have always been held at a location that central and easily accessible and at a convenient time.</p> <p>The Sixth Annual General Meeting was held at The Zenith, Level M1, Connexion Conference &amp; Event Centre at The Vertical (CCEC The Vertical), No. 8, Jalan Kerinchi, Bangsar South City, 59200 Kuala Lumpur and the Seventh Annual General Meeting will be held at the same venue.</p> <p>Shareholders are allowed to appoint proxies to attend, speak and vote in their stead at a general meeting if they are unable to attend in person.</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>   | : |  |

**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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