

PBA HOLDINGS BHD.

Incorporated in Malaysia
(Company No: 515119-U)

PRIVATE AND CONFIDENTIAL

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of PBA Holdings Bhd (“PBAHB” or “the Company”) is pleased to present the Corporate Governance Overview for 2018. This statement has been structured to reflect the themes of the Malaysian Code on Corporate Governance (“MCCG” or the “Code”) which sets out how the Group has applied the principles and recommendations of the MCCG, together with the provisions contained in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”). This Corporate Governance Overview Statement should be read in conjunction with the Corporate Governance Report, which is accessible online at www.pbahb.com.my.

Through this statement, the Board reaffirms its commitment in upholding a high standard of corporate governance throughout the Group, which is fundamental to fulfilling its responsibilities of protecting and enhancing the value of its stakeholders and to safeguard their interests, through excellence in Corporate Governance standards at all times.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Group is led by Board members who have a wide range of competencies and experience ranging from the accounting, business, legal and public service sectors.

The Board is responsible for the oversight and overall management of the Company. Presently, the Board comprises only Non-Executive Directors who are independent of the Management. Their role is to constructively challenge the Management and monitor its success in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with the Management at all levels, and they engage with the external and internal auditors to address matters concerning the management and oversight of the Company’s business and operations.

The principal responsibilities of the Board include the following:-

- a) To review and sets the Group’s strategic plan and direction and ensures that resources are available to meet its objectives.
- b) To ensure the Group’s core values, vision and mission and shareholders’ interests are met.
- c) To supervise the operations of the Group and evaluate whether established targets are achieved.
- d) To identify principal risks and ensure the implementation of appropriate systems to manage these risks.
- e) To promote better investor relations and shareholder communications.
- f) To review the adequacy and the integrity of the Group’s internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

- g) To establish such committees, policies and procedures to effectively discharge the Board's roles and responsibilities.
- h) To initiate a Board self-evaluation program and follow-up action to deal with issues arising and arrange for Directors to attend courses, seminars and participate in development programs as the Board judges appropriate.
- i) To ensure that the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate responsibility.
- j) To monitor the compliance with all relevant statutory and legal obligations.

The Board delegates the ordinary management of the Company's business to the Chief Executive Officer ("CEO") and management committee of Division Heads and Heads of Department. Management's performance is assessed by the Board through quarterly reports which are tabled to the Board. The reports include a comprehensive summary of the Company's risks and financial performance during each reporting period. The Board is also kept informed of the key strategic initiatives, significant operational issues and the Company's performance based on the approved Key Performance Indicators ("KPIs").

In order to ensure the effective discharge of its functions and responsibilities, specific powers of the Board are delegated to the relevant Board Committees and the CEO. The Board Committees consists of the Audit and Risk Management Committee and the Nomination and Remuneration Committee.

However, significant matters such as approval of financial results, declaration of dividends, risk appetite setting, short term and medium term business plans/policies, annual budget and appointment of key responsible persons are reserved for the Board's considerations and approval.

The Board Committees are entrusted with specific responsibilities to oversee the Company's affairs with authority to act on behalf of the Board in accordance with their respective terms of reference. Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issues and decisions made by each Board Committee through the reports by the Chairmen of the Board Committees.

The Board is committed to maintain a good risk management framework and sound system of internal control within the Group.

Roles and Responsibilities of Chairman of the Board

YAB Tuan Chow Kon Yeow, being the Chairman of the Board, holds a non-executive position and is primarily responsible for matters pertaining to the Board and overall conduct of the Group. The Chairman is responsible for leading the Board to ensure its effectiveness and integrity and the entrenchment of good corporate governance practices within the Group.

The Chairman is responsible for: -

- i) Providing leadership to the Board so that the Board can perform its responsibilities effectively;
- ii) Setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- iii) Conducting the Board's function and meetings by leading board meetings and discussions;
- iv) Overseeing the effective discharge of the Board's supervisory role;
- v) Facilitating the effective contribution of all Directors and encouraging active participation and allowing dissenting views to be freely expressed;
- vi) Briefing all the Directors in relation to issues arising at meetings;
- vii) Promoting constructive and respectful relations between Board members and between the Board and the Management;
- viii) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole; and
- ix) Leading the board in establishing and monitoring good corporate governance practices in the company.

Roles and Responsibilities between the Chairman and the Chief Executive Officer

In line with the Code, there is a clear division of responsibilities between the Chairman and CEO. The positions of the Chairman and CEO are held by two (2) different individuals to promote accountability and facilitate division of responsibilities between them. In this regard, no one individual can influence the Board's discussions and decision-making. The Chairman is responsible for leading the Board to ensure its effectiveness and integrity and the entrenchment of good corporate governance practices within the Group, while the CEO's responsibility is to run the business, to ensure implementation of policies and strategies approved by the Board and to communicate to the Board on matters pertaining to the business results and performance of the Group.

The Chairman acts as an informal link between the Board and Management where he is expected to be kept informed by the Management of all important matters and make himself available to the Management.

The CEO is responsible for the day-to-day management of the business and operations of the Company with respect to both its regulatory and commercial functions. The Company is also subject to the Suruhanjaya Perkhidmatan Air Negara ("SPAN") rules and regulations on water matters.

The CEO holds an executive post and not being a member of the Board, has significant responsibilities to run the business based on the strategic plans and ensure the conduct of the business and procedures are properly executed. The CEO presents to the Board, the recommended strategies, proposed business plans and budgets at a dedicated session which includes KPI. The Board would give its feedback on focus areas, key initiatives and service/product roadmaps in the planning of Key Action Plans.

Company Secretary

The Company is supported by a suitably qualified and competent company secretary. The Company Secretary is a qualified Chartered Secretary under Section 235(2)(a) of the Companies Act 2016 ("Act") and is a Fellow member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators ("MAICSA") and a member of the Malaysian Institute of Accountants ("MIA"). The Company Secretary is an external company secretary from Securities Services (Holdings) Sdn. Bhd. With vast knowledge and experience from being in public practice and is supported by a dedicated team of company secretarial personnel.

The Company Secretary supports the Board and the relevant Board Committees to ensure their effective functioning in accordance with their terms of reference and best practices, and in managing the corporate governance framework of the Company. The Company Secretary also advises the Directors on their fiduciary and statutory duties, as well as compliance with company law, the Listing Requirements, the Company's Constitution, the Malaysian Code on Corporate Governance, and other pertinent regulations governing the Company, including guiding the Board towards the necessary compliance.

The Company Secretary attended the 18th Annual General Meeting ("AGM"), the Board and Board committee meetings during the financial year ended 31 December 2018 ("FY2018"). All deliberations at the 18th AGM, the Board and Board committee meetings were well minuted for the Board's reference and for action plans to be communicated to the Management to work on and to report back to the Board.

The Company Secretary who attended the 18th AGM managed the processes of the meeting and ensured orderly proceedings, including the conduct of the poll taken on all resolutions tabled at the meeting.

The Company Secretary also updates the Board on changes in the regulatory requirements and advises the Board on its roles and responsibilities and on corporate disclosures and compliance with company and securities regulations and the Listing Requirements.

The Company Secretary has and will continue to constantly keep herself abreast on matters concerning company law, the capital market, corporate governance and other pertinent matters, and with changes in the same regulatory environment, through continuous training and industry updates.

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its function and duties.

The brief profile of the existing Company Secretary is as follows:

Ms. Thum Sook Fun, FCIS, C.A. (M), FCCA

Ms. Thum is a Chartered Secretary by profession. Ms. Thum has been elected as a Fellow member of the Malaysian Association of the Institute of Chartered Secretaries and Administrators ("MAICSA") and also a Fellow member of the Association of Chartered Certified Accountants ("ACCA"). She is also a member of the Malaysian Institute of Accountants ("MIA"). She has more than twenty years of professional experience in the field of corporate secretarial practice with working knowledge of many industries. Ms. Thum is also the named Company Secretary for a number of public listed companies and private limited companies.

Ms. Thum was appointed as Company Secretary of the Company with effect from 28 September 2000.

In performing her duties, the Company Secretary carries out, amongst others, the following tasks:-

- Statutory duties as required under the Act, Listing Requirements, Capital Market and Services Act, 2007;
- Facilitating and attending Board Meetings and Board Committee Meetings, respectively;
- Facilitating and attending the General Meeting(s);
- Ensuring that Board Meetings and Board Committee Meetings, respectively are properly convened and the proceedings are properly recorded;
- Ensuring timely communication of the Board level decisions to the Management for further action;
- Ensuring that all appointments to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;
- Maintaining records for the purpose of meeting statutory obligations of applicable jurisdictions;
- Facilitating the provision of information as may be requested by the Directors from time to time in a timely manner and ensuring adherence to Board policies and procedures;
- Facilitating the conduct of the assessments to be undertaken by the Board and/or Board Committees as well as to compile the results of the assessments for the Board and/or Board Committee's notation;
- Assisting the Company on the lodgements of documents with relevant statutory and regulatory bodies;
- Assisting the Board with the preparation of announcements for release to Bursa Securities and Securities Commission Malaysia; and
- Rendering advice and support to the Board and Management.

All members of the Board, whether as a whole or in their individual capacity, have access to the advice and services of the Company Secretary on all matters relating to the Group to assist them in the furtherance of their duties.

Board Meetings and Access to Information

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the Directors' attendance record at Board meetings as set out in the summary.

The Board would have at least four (4) regular scheduled meetings annually, with additional meetings convened as and when necessary.

A total of six (6) Board meetings were held in year 2018. The following is the record of attendance by the Board members during their tenure in office and all Directors have complied with minimum of 50% attendance as stipulated by Paragraph 15.05 (3) (c) of the Listing Requirements:

<u>Names of Present Directors</u>	<u>Attendance Record</u>
Y.A.B. Tuan Chow Kon Yeow ^(Note 1)	6 out of 6
Y.B. Dato' Ir. Hj. Ahmad Zaki Yuddin bin Abd.Rahman ^(Note 2)	1 out of 2
YB Prof. Dr. P. Ramasamy a/l Palanisamy	5 out of 6
YB Dato' Seri Farizan bin Darus	6 out of 6
YB Dato' Sarul Bahiyah binti Abu	6 out of 6
Dato' Agatha Foo Tet Sin	6 out of 6
Dato' Seri Nazir Ariff bin Mushir Ariff	6 out of 6
Puan Mary Geraldine Phipps	6 out of 6
Dato' Brian Tan Guan Hooi	5 out of 6
Dato' Syed Mohamad bin Syed Murtaza	6 out of 6
Dato' Sr. Kuvenaraju a/l Pachappen	6 out of 6
Y.B. Dr. Afif bin Bahardin ^(Note 3)	2 out of 2
Y.B. Tuan Zairil Khir Johari ^(Note 4)	1 out of 1
Y.B. Tuan Khaliq Mehtab bin Mohd Ishaq ^(Note 5)	1 out of 1
Y.B. Tuan Muhammad Faiz bin Fadzil ^(Note 6)	1 out of 1
Y.A.B. Tuan Lim Guan Eng ^(Note 7)	2 out of 2
Y.B. Dato' Hj. Mohd. Rashid bin Hasnon ^(Note 8)	2 out of 2
Y.B. Lim Hock Seng ^(Note 9)	2 out of 2
Y.B. Dato' Abdul Malik bin Abul Kassim ^(Note 10)	2 out of 2
Y.B. Phee Boon Poh ^(Note 11)	4 out of 4

Notes:-

- (Note 1) - YAB Tuan Chow Kon Yeow was re-designated as the Chairman of the Board of Directors on 14 May 2018.
- (Note 2) - YB Dato' Ir. Hj. Ahmad Zaki Yuddin bin Abd Rahman was appointed as a Non-Independent Non-Executive Director of the Company on 1 August 2018 and Deputy Chairman of the Board of Directors on 24 August 2018.
- (Note 3) - YB Dr. Afif bin Bahardin was appointed as a Non-Independent Non-Executive Director of the Company on 1 August 2018.
- (Note 4) - YB Tuan Zairil Khir Johari was appointed as a Non-Independent Non-Executive Director of the Company on 1 August 2018.
- (Note 5) - YB Tuan Khaliq Mehtab bin Mohd Ishaq was appointed as a Non-Independent Non-Executive Director of the Company on 19 October 2018.
- (Note 6) - YB Tuan Muhammad Faiz bin Fadzil was appointed as a Non-Independent Non-Executive Director of the Company on 19 October 2018.
- (Note 7) - Y.A.B. Tuan Lim Guan Eng has ceased to be a Government Appointed Director and Chairman of the Board of Directors on 14 May 2018.
- (Note 8) - Y.B. Dato' Hj. Mohd. Rashid bin Hasnon has ceased to be a Government Appointed Director and Deputy Chairman of the Board of Directors on 14 May 2018.
- (Note 9) - Y.B. Lim Hock Seng has ceased to be a Government Appointed Director on 14 May 2018.
- (Note 10) - Y.B. Dato' Abdul Malik bin Abul Kassim has ceased to be a Government Appointed Director on 14 May 2018.
- (Note 11) - Y.B. Phee Boon Poh has ceased to be a Government Appointed Director on 31 July 2018.

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda. The agenda together with comprehensive management reports and proposal papers are furnished to the Directors at least seven (7) days before convening the Board meeting. This is to allow time for the Directors to review the Board papers and to facilitate full discussion at the Board meeting. There is a process in place for Non-Executive Directors to seek clarification or obtain details concerning the Board agenda papers from the Management or the Company Secretary or seek for independent professional advice.

Confidential papers or urgent proposals are presented and tabled at the Board meetings under a supplementary agenda.

The Board meeting papers are prepared and presented in a concise and comprehensive manner so that the Directors have a proper and relevant depiction of the issues at hand, in order that the Board deliberations and decision-making are performed systematically and in a well-informed manner.

The minutes of the Board meetings together with its notice and papers are circulated to all Directors for their perusal prior to the commencement of each Board meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation from all the members at the Board meetings as a correct record of the proceedings of the meeting.

At the Board meetings, respective Chairmen of the Board Committees will report, advise and recommend to the Board meetings, salient views and conclusions of their respective agendas.

The CEO, Chief Financial Officer (“CFO”) and Senior Management are invited to the Board meetings to table and report on matters relating to their respective areas of responsibility, and also to brief and provide details information and recommendation to the Directors.

The Board has access to reports, papers on specific issues, information on major financial and operational matters. Management supplies sufficient information to the Board in a timely manner to enable the Board to discharge its duties effectively. The Directors may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with the Management, or request further explanation, information or updates on any aspect of the Company’s operations or business concerns from them.

In this way, the Board has full access to all information on the Company’s affairs to enable the proper discharge of duties.

In addition, the Board may seek independent professional advice at the Company’s expense on specific issues to enable it to discharge its duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman or the Board with the duly approved fees.

Continuing education programme

The Board oversees the training needs of the Directors. Directors are regularly updated by the CEO and Senior Management on the Group’s business and the regulatory environment in which they operate. On 16 January 2019, the Company had organized an in-house session on the MACC (Amendment) Act 2018. Among the other trainings the Directors attended in 2018 include:

- i) The Mandatory Accreditation Programme by The ICLIF Leadership & Governance Centre;
- ii) KPMG Penang Tax Summit by Messrs. KPMG; and
- iii) Corporate Governance Briefing Sessions: MCCG Guide by Bursa Malaysia

In accordance with the Listing Requirements, all Directors appointed to the boards of public listed companies are required to attend the MAP. The Company also arranged its newly appointed Directors, namely YB Dato' Ir. Hj. Ahmad Zaki Yuddin bin Abd Rahman, YB Tuan Zairil Khir Johari, YB Dr. Afif bin Bahardin, YB Tuan Khaliq Mehtab bin Mohd Ishaq and YB Tuan Muhammad Faiz bin Fadzil to attend the MAP and all of them had attended.

The Directors are encouraged to attend various professional programmes which were necessary to enable them to keep abreast with the changes in guidelines issued by the relevant authorities as well as on the latest developments in the market place, to complement their services to the Group.

In addition, the Directors are kept informed with the relevant updates on statutory and regulatory requirements from time to time by the Company Secretary during Board meetings.

Board Charter

The Board had formally adopted the Board Charter (“Charter”). The Board Charter outlines processes and procedures for the Board and their committees to be effective and efficient. The objectives of the Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect, and on behalf of the Company.

The Board updates the Board Charter from time to time to reflect changes to the Company’s policies, procedures and processes as well as the latest relevant legislations and regulations, and is subject to review periodically.

The Board Charter is available on the Company’s website.

Code of Conduct and Ethics

The Board has in place a Code of Conduct for the Directors, Management and employees of the Company and its subsidiaries. The Code of Conduct provides the guidance to all employees of the Company in the aspect of conflicts of interest, gifts and hospitality, integrity and professionalism, public statements and confidentiality, protection and use of the Group’s assets or property, reporting illegal or non-compliant conduct, compliance with laws and regulations, violation of the Code of Conduct and consequences of non-compliance with the Code of Conduct.

The Code of Conduct and Ethics is available on the Company’s website.

Whistleblowing Policy

The Board had formalised and adopted the Whistle-blowing Policy. The Whistle-blowing Policy serves as an essential part of the Group's internal control system setting out a framework for all employees and stakeholders of the Group to report any concern about any malpractice within the Group. It also helps to nurture a good organizational culture within the Group and develops a culture of openness, transparency, accountability and integrity, which ultimately formulates standards of corporate behavior creating an ethical corporate climate.

In addition to the above and in order to improve the overall organizational effectiveness and to uphold the integrity of the Company in the eyes of the public, whilst at the same time being an entity that serves the interest of the nation, the Company has instituted the whistleblowing program which acts as a formal communication channel and the staff can communicate concerns in cases where the Company's business conduct is deemed to be contrary to the Company's common values. Details of the said Whistle-blowing Policy are set out in this Annual Report.

Board Composition

The Board currently consists of fifteen (15) Board members, all holding non-independent and non-executive positions, of which six (6) are Independent and Non-Executive Directors. Two of the Independent and Non-Executive Directors are members of the MIA and sit on the ARMC. The Board is of the view that the number of Independent Non-Executive Board members with wide Boardroom experience and expertise is sufficient to lend independent objectivity and added perspectives to the Board's decision-making process.

According to the Company's Constitution, the number of Directors shall not be less than two (2) nor (unless otherwise determined by the Company at the General Meeting) more than seventeen (17).

The current Board complies with paragraph 15.02 of the Listing Requirements which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are independent Directors.

The Board took note of the MCCG's Practice 4.1 whereby at least half of the Board comprises Independent Directors. However, the Board has no plan to increase the number of the Independent Directors in the Company in view of the fact that all the Board members are holding Non-Executive positions.

Commitment

The Directors do not hold more than five directorships of any listed issuer at any one time. This is not only in line with the Listing Requirements but also to ensure the Directors are able to discharge their responsibilities.

Evaluating the Board

On February 2019, the Board through the Nomination and Remuneration Committee carried out an annual assessment for the Board as a whole and the various Board Committees for the FY2018.

Based on the assessment of Board effectiveness as a whole, it was concluded that the Board and Board Committees have discharged their duties and responsibilities adequately.

Currently, the women on the Board and Senior Management are as follows:

1. Dato' Sarul Bahiyah Binti Abu (Non-Independent and Non-Executive Director)
2. Dato' Agatha Foo Tet Sin (Senior Independent and Non-Executive Director)
3. Puan Mary Geraldine Phipps (Independent and Non-Executive Director)
4. Dr. Mary Ann Harris (Chief Financial Officer)
5. Puan Joyce Lee (Head of Corporate Affairs Division)

The Company achieved a 20% in women participation on the Board.

Tenure of Independent Director

Pursuant to Practice 4.2 of the MCCG, the Company is required to seek shareholders' approval if it intends to retain an Independent Director who has served the Company for a cumulative term of more than nine (9) years. Upon completion of the nine (9) 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 for more than nine years, it should justify and seek annual shareholders' approval at the AGM.

Currently in the Company, the longest serving Independent Directors is Dato' Agatha Foo Tet Sin who has served the Board for more than nine (9) years.

Both the Nomination and Remuneration Committee and the Board have at the annual assessment assessed the independence of Dato' Agatha Foo Tet Sin, who has served the Company for more than nine (9) years. They were of the view that she remains objective and independent in expressing her views and participating in deliberation and decision making of the Board and Board Committees. Her length of service on the Board does not in any way interfere with her exercise of independent judgement and ability to act in the best interests of the Company. The Company hence sought its shareholders' approval at its AGM to retain Dato' Agatha Foo Tet Sin to continue to act as an Independent Non-Executive Director in compliance with the Code.

The Board has not developed a policy which limits the tenure of its Independent Directors to nine (9) years. However, the Board would take appropriate action as recommended by the MCCG for the retention of such a Director as an Independent Director.

Appointments to the Board

Generally, the Board through the Nomination and Remuneration Committee (“NRC”) is to assess the candidate for proposed directorship in considering their skills, knowledge, education, qualities, expertise and experience, professionalism, integrity, time commitment, contribution, Boardroom diversity including gender, skills, experience, age, cultural background and other factors that will best qualify a nominee to serve on the Board, while for the position of Independent Non-Executive Directors, the ability to discharge such responsibilities / functions as expected. A proposed Director also must satisfy the test of independence of an Independent Director as defined under Paragraph 1.01 and Practice Note 13 of the Listing Requirements and must have the ability to act in the best interest of the Group, taking into account the candidate’s character, integrity and professionalism.

This helps to ensure an appropriate balance between the experience perspectives of the long term Directors and new perspectives that bring fresh insights to the Board.

There is a process for selection and nomination of suitable candidates to the Board. Potential candidates can be identified by the NRC, existing Directors or any major shareholder. The NRC reviews the suitability of candidates identified and recommends to the Board, for appointment to the Board and it is responsible to ensure that appointments are made on merit. There were new appointments to the Board during the FY2018.

Board Committees

In April 2016, the Nomination Committee and Remuneration Committee were merged and reconstituted as a single committee known as NRC.

Currently, the NRC comprises eight (8) Non-Executive Directors, the majority of whom are Independent and Non-Executive Directors, as follows:-

Chairman

YB Prof. Dr. P. Ramasamy a/l Palanisamy (Non-Independent and Non-Executive Director)

Members

YB Dato’ Sarul Bahiyah binti Abu (Non-Executive Director)

Dato’ Seri Nazir Ariff Bin Mushir Ariff (Independent and Non-Executive Director)

Dato’ Agatha Foo Tet Sin (Senior Independent and Non-Executive Director)

Dato’ Syed Mohamad bin Syed Murtaza (Independent and Non-Executive Director)

Dato’ Sr. Kuvendaraju a/l Pachappen (Independent and Non-Executive Director)

Dato’ Brian Tan Guan Hooi (Independent and Non-Executive Director)

Puan Mary Geraldine Phipps (Independent and Non-Executive Director)

There is a formal and transparent procedure for the appointment of new Directors to the Board, the primary responsibility of which is delegated to the NRC, with the membership comprising exclusively, Non-Executive Directors, the majority of whom are independent. This composition of only Non-Executive Directors with the majority as Independent and Non-Executive Directors in the Committee ensures that any decisions made are impartial and in the best interest of the Group, without any element of fear or favour.

Currently, the Chairman of the NRC is YB Prof. Dr. P. Ramasamy a/l Palanisamy, who is a Non-Independent and Non-Executive Director. YB Prof. Dr. P Ramasamy is also the chairman of the Establishment Committee of its wholly-owned subsidiary, PBAPP. Hence, he is familiar with the staffing issues in the Group.

Therefore, the Board is satisfied with the composition of the NRC and confident that this Committee discharges its functions efficiently and effectively with respect to the nomination and remuneration matters.

The NRC convened four (4) times in FY2018 and the below summarised the key activities carried by NRC: -

- i) The NRC conducted an annual assessment of the effectiveness of the Board as a whole and the various Board Committees. Based on the assessment of Board effectiveness as a whole, it was concluded that the Board and Board Committees have discharged their duties and responsibilities adequately;
- ii) The NRC conducted its annual assessment on the Independent and Non-Executive Directors and made its recommendations to the Board. The Board was satisfied with the level of independence demonstrated by each of the Independent and Non-Executive Directors of the Company;
- iii) The NRC had duly considered and recommended the re-election and/or re-appointment of the Directors who are subject to retirement at the Annual General Meeting of the Company. Apart from the qualifications and competencies of the retiring Directors, the NRC's review on the proposed re-election of Directors took into account the mix of skills, experience and contribution brought to the Board;
- iv) The NRC reviewed the proposal of the new total salary and benefits for the executive employees of the Group as evaluated by the appointed external consultant; and
- v) The NRC reviewed and recommended the new policies on company cars as advised by the appointed external consultant.

The Terms of Reference of the NRC is available on the Company's website.

Directors' remuneration

None of the Directors receive any basic salary or bonus, as all the Directors are Non-Executive Directors. The Company only paid fixed monthly and meeting allowances to the Directors.

The Non-Executive Directors are remunerated based on the allowances and benefits approved by the shareholders of the Company during each AGM as required by Section 230 of the Act and Paragraph 7.24 of the Listing Requirements.

The Board is of the view that it is just and equitable for the Non-Executive Directors to be paid the Directors' Remuneration on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company.

The present remuneration structure for the Non-Executive Directors as approved by the Board is as follows:-

Description	Chairman		Non-Executive Directors	
	Company	Subsidiaries	Company	Subsidiaries
Monthly fixed allowances	RM 500	RM 3000	RM 500 – RM 1500	RM 1000
Meeting allowance (per meeting)				
a) Board Member	RM 300	RM 300	RM 300	RM 300
b) Board Committee Members	RM 300	RM 300	RM 300	RM 300
Other Claimable Benefits	Business travel and accommodation, communication, medical coverage and other claimable benefits		Business travel and accommodation, communication, medical coverage and other claimable benefits	

As required by Section 320 of the Act, the payment of the Directors benefits up to an amount of RM450,000 for the period from 29 June 2018 until the conclusion of the upcoming 19th AGM have been presented to the shareholders and duly approved by them at the 18th AGM held on 28 June 2018.

The breakdown of the Directors' allowances paid in 2018 is as follows: -

RM, in Gross	Allowance (RM)	Emoluments and Benefits-In- Kind (RM)	Total (RM)
Y.A.B. Tuan Chow Kon Yeow	32,700	6,455	39,155
Y.B. Dato' Ir. Hj. Ahmad Zaki Yuddin bin Abd.Rahman	11,500	5,571	17,071
YB Prof. Dr. P. Ramasamy a/l Palanisamy	24,000	2,359	26,359
YB Dato' Seri Farizan bin Darus	24,300	2,359	26,659
YB Dato' Sarul Bahiyah binti Abu	25,200	2,359	27,559
Dato' Agatha Foo Tet Sin	24,000	2,359	26,359
Dato' Seri Nazir Ariff bin Mushir Ariff	23,400	1,876	25,276
Puan Mary Geraldine Phipps	23,700	1,876	25,576
Dato' Brian Tan Guan Hooi	23,400	2,359	25,759
Dato' Syed Mohamad bin Syed Murtaza	22,200	1,876	24,076
Dato' Sr. Kuvenaraju a/l Pachappen	23,700	6,175	29,875
Y.B. Dr. Afif bin Bahardin	3,400	5,586	8,986
Y.B. Tuan Zairil Khir Johari	8,400	5,271	13,671
Y.B. Khaliq Mehtab bin Mohd Ishaq	1,850	3,599	5,449
Y.B. Muhammad Faiz bin Fadzil	1,550	3,599	5,199
Y.A.B. Tuan Lim Guan Eng (Ceased office on 14.05.18)	17,250	387	17,637
Y.B. Dato' Hj. Mohd. Rashid bin Hasnon (Ceased office on 14.05.18)	10,500	4,827	15,327
Y.B. Lim Hock Seng (Ceased office on 14.05.18)	7,950	387	8,337
Y.B. Dato' Abdul Malik bin Abul Kassim (Ceased office on 14.05.18)	2,850	3,752	6,602

Y.B. Phee Boon Poh (Ceased office on 31.07.18)	5,000	387	5,387
TOTAL	316,850	63,424	380,274

Senior Management's Remuneration

The Board has identified the Top Four (4) Senior Management of the Company as Pivotal Positions, of which their appointment falls under the purview of the NRC and the Board. They are the CEO, CFO, Head of Human Resource Division and Head of Corporate Affairs Division.

The Company considered the information of the remuneration of the Senior Management personnel to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts in retaining executive talents. Nevertheless, an aggregate amount of remuneration / compensation of the key Management personnel was disclosed under Note 25 of the Audited Financial Statements for the FY2018.

In achieving the intended outcome, the Senior Management remuneration package is subject to review and approval by the Board on the recommendation of the NRC. The Senior Management's performance is evaluated based on the Key Performance Indicators as set by the Board of Directors on a yearly basis.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

The Audit and Risk Management Committee ("ARMC") comprises seven (7) members, all of whom are Non-Executive Directors; six (6) including the Chairman are Independent Directors. Below is the existing composition of the ARMC: -

Chairman:

Puan Mary Geraldine Phipps (Independent and Non-Executive Director)

Members:

Dato' Agatha Foo Tet Sin (Senior Independent and Non-Executive Director)

Dato' Seri Nazir Ariff Bin Mushir Ariff (Independent and Non-Executive Director)

Dato' Brian Tan Guan Hooi (Independent and Non-Executive Director)

YB Dato' Sarul Bahiyah Binti Abu (Non-Independent and Non-Executive Director)

Dato' Syed Mohamad Bin Syed Murtaza (Independent and Non-Executive Director)

Dato' Sr. Kuvendaraju a/l Pachappen (Independent and Non-Executive Director)

The ARMC is chaired by an Independent and Non-Executive Director, Puan Mary Geraldine Phipps who is not the Chairman of the Board. The Chairman of the ARMC is a Chartered Accountant registered with the Malaysian Institute of Accountants of which she is a member, having qualified as a Certified Public Accountant under the Malaysian Institute of Certified Public Accountants ("MICPA"). Members of the ARMC have the relevant experience and expertise to effectively discharge their duties. The profiles of the members are disclosed in the Directors' profile in the Annual Report 2018.

The Board, through the NRC, assesses the composition and performance of the ARMC and its members through an annual Board Committee effectiveness assessment. Based on the assessment conducted for the FY2018, the Board was satisfied that the ARMC and its members discharged their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference.

Collectively, ARMC members are financially literate and qualified individuals having the essential skills and expertise to discharge the Committee's functions and duties. In 2018, ARMC members have attended various conferences, seminars and trainings and all members of the ARMC are mindful of the need to continue to enhance their skills and knowledge to assist them in the discharge of their duties and they have attended relevant development and training programmes according to their individual needs to keep abreast of relevant developments in accounting and auditing standards and other relevant changes in laws and regulations and to enhance their ability in discharging their duties and responsibilities more effectively.

Currently, none of the members of the ARMC were former key audit partners of any external audit firms. The Company will ensure that the cooling off period of two (2) years is observed if and when the Company is seriously considering such a person for appointment to the ARMC. The ARMC had also reviewed and revised its Terms of Reference ("TOR") to include the requirement for a former key audit partner to observe a cooling off period of at least two (2) years before being appointed as a member of the ARMC.

Currently, the ARMC adopts policies and procedures to assess the suitability, objectivity and independence of the external auditors annually. The performance of the external auditors will be assessed and its assessment results be tabled during the ARMC meeting for discussion and recommended to the Board for approval.

In addition, the ARMC also reviews the non-audit services provided by the external auditors, if any. The Company has paid RM 5,000 of non-audit fees to the Group's auditors in 2018.

The ARMC normally meets with the Group's external auditors to review the scope and adequacy of the audit process, the annual financial statements and their audit findings. The ARMC had also obtained an assurance from the external auditors confirming that they were, and had been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The ARMC had met with the external auditors without Management's presence twice during the FY2018.

The ARMC also took into account the openness in communication and interaction with the audit engagement team through discussions at private meetings, which demonstrated their independence, objectivity and professionalism.

A formal and transparent relationship is established with the Group's external and internal auditors through the ARMC. The key features outlining the relationship of the ARMC with both the external and internal auditors are included in the ARMC Report furnished in the Annual Report.

The Terms of Reference of the ARMC is available on the Company's website.

Risk Management and Internal Controls

The Risk Management Committee (“RMC”) was formed in April 2002 by the Board. It is chaired by the CFO and comprises the CEO, Division Heads and Heads of Department. Since 2012, an enhanced Enterprise-wise Risk Management (“ERM”) framework has been incorporated within the Group to ensure a continuous and iterative process towards the enhancement of risk management across the Group.

The Board is committed to maintain a good risk management framework and sound system of internal control within the Group. The Group has an embedded risk management framework process for the identification, evaluation, reporting, treatment, monitoring and review of the major strategic, business and operation risks within the Group. The Board through the ARMC would obtain updates on the periodic check on the internal control system.

The ARMC oversees the risk management framework of the Group, reviews the risk management policies formulated by the Management and advises the Board on areas of high risk encountered by the Group and the adequacy of compliance and controls.

The Company continues to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders’ investments.

The details of the risk management are set out in the Statement of Risk Management and Internal Control (“SORMIC”) in this Annual Report. The SORMIC has been reviewed by the external auditors who have reported that nothing has come to their attention that had caused them to believe that the said SORMIC is inconsistent with their understanding of the process the Group has adopted in the review of the adequacy and effectiveness of the Group’s risk management and internal control systems.

Management of risk requires the identification and evaluation of existing controls. The risk itself is further reviewed considering the controls. Further monitoring and evaluation of risks are carried out from time-to-time to ensure that the controls remain relevant and the risks are monitored. The monitoring and updating of risks, controls and management actions are carried out using the ERM system.

Currently, the ARMC oversees and reviews the risk management and internal controls of the Company. The ARMC reviews and endorses the risk management frameworks, guidelines and other key components of risk management for implementation within the Company and throughout the Group. The ARMC also reviews and endorses the risk profiles for the Group. In addition, the ARMC reviews the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks.

In addition, the Company has an in-house internal audit function within the Group, where the Head of the Internal Audit, who reports directly to the ARMC, undertook an independent assessment on the internal control system on a quarterly basis and assured the ARMC that no material issue or major deficiency had been noted which would pose a high risk to the overall system of internal control under review. The role of Internal Auditor is to provide independent and objective reports on the organisation’s management, records, accounting policies and internal control.

The Head of Internal Audit will report his findings on the Internal Audit issues and update the ARMC on a quarterly basis for ARMC's decision and action taken before the ARMC Chairman report to the Board for approval.

Internal Audit Department

The Internal Audit Department is headed by Mr. Shanmuga Sundaram A/L Murugason, who holds a BAcct (Hons.) Accounting Degree from University Utara Malaysia (1998) and a Masters Degree in Business Administration from University Sains Malaysia (2016). He is a Chartered Accountant registered with the Malaysian Institute of Accountants and also an Associate member of the Institute of Internal Auditors Malaysia ("AIIA").

The Internal Audit Department comprises nine (9) staff and carries out internal audit responsibilities in an unbiased manner without impairing their objectivity and independence. None of the internal audit personnel has any relationship or conflict of interest that could impair their objectivity and independence in conducting their audit.

The audit framework of organization is aimed to enhance and protect the organizational value of the Company by providing risk-based and objective assurance, advice and insight. The audits are performed to ascertain compliance with the established organization policies, directives, procedures and professional practice of Internal Auditing.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Relations with Shareholders

In maintaining the commitment to effectively communicate with shareholders, the Group adopts the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as to the general investing public. Where possible and applicable, the Group also provides additional disclosure of information on a voluntary basis. The Group believes that consistently maintaining a high level of disclosure and extensive communication with its shareholders is vital to shareholders and investors to make informed investment decisions.

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are also governed by the Listing Requirements.

The Board is ever conscious of the importance and need to communicate with its shareholders, stakeholders and potential investors to keep them well informed concerning the Group's operations and latest developments. Information disseminated to the investment community conforms to Bursa Securities' disclosure rules and regulations.

Reporting via the Internet

The Company maintains a website at www.pbahb.com.my to facilitate access on pertinent information concerning the Group and its operations by the shareholders, consumers and the public. This information includes: -

- Quarterly Announcements
- Annual Reports
- Circular to Shareholders
- Press statements
- Other Important Announcements

Annual General Meeting (“AGM”)

The notice of the AGM of the Company is given to the shareholders at least 28 clear days prior to its AGM. The notice of 19th AGM of the Company is dispatched to shareholders on 30 April 2019, more than 28 days before the AGM scheduled for 30 May 2019. The AGM notice is accompanied by explanatory notes to shareholders regarding their entitlement to attend the AGM and their right to appoint a proxy and detailed explanations for each motion to be tabled at the AGM to enable shareholders to make informed decisions in exercising their voting rights. This would enable the shareholders to plan their time and also to appoint proxies and corporate representatives for the AGM.

The Company’s AGM represents the primary platform for communication with its shareholders, which provides a useful forum for shareholders to engage directly with the Board and the Management of the Company.

At the 18th AGM, all the Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company.

The Chairman of the meeting provides time for the shareholders to ask questions for each agenda in the notice of the AGM, before putting a resolution to vote. The Directors, CEO/Management and external auditors were in attendance to respond to the shareholders’ queries. The Chairman also shared with the shareholders the Company’s responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group (“MSWG”).

A press conference is held immediately after the Company’s AGM to disseminate information pertaining to the Group’s financial performance and operations and to clarify on any issues raised by the media.

The Company holds its meetings in places easily accessible by its shareholders. There is no necessity for remote shareholder participation. The Company allows a member to appoint a proxy who may but need not be a member of the Company.

Pursuant to the Listing Requirements, all listed companies are required to conduct poll voting for the resolutions put up at its general meeting effective from 1 July 2016. Hence, all the resolutions tabled at the 18th AGM held in year 2018 were voted through electronic polling.

Poll voting more accurately and fairly reflects shareholders' views by ensuring that every vote is recognised, in accordance with the principle of "one share one vote". The practice thus enforces greater shareholder rights, and allows shareholders who appoint the Chairman of the Meeting as their proxy to have their votes properly counted in the fulfilment of their voting rights.

The Company has appointed the Company's Share Registrar, Securities Services (Holdings) Sdn Bhd as Poll Administrator to conduct the polling process and another independent scrutineer to oversee the polling process for the upcoming 19th AGM.

Compliance Statement by the Board of Directors on Corporate Governance Statement

The Board has deliberated, reviewed and approved this Corporate Governance Statement. Pursuant to Paragraph 15.25 of the Listing Requirements, the Board is pleased to report that the Board is satisfied that to the best of its knowledge, the Company has fulfilled its obligations in accordance with all the applicable laws, regulations, internal and external guidelines on corporate governance throughout the FY2018.

This Corporate Governance Statement was presented and approved at the meeting of the Board on 15 April 2019.