

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7095  
**COMPANY NAME** : P.I.E. Industrial 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 PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors (Board) of P.I.E. Industrial Berhad ("PIE" or the "Company") is guided by the Board Charter and the roles and responsibilities of the Board are included in the Board Charter, which is available on the Company's corporate website at <a href="http://www.pieib.com.my">www.pieib.com.my</a>.</p> <p>To enable the Board to discharge its duties effectively whilst enhancing business and operational efficacy, the Board delegates certain responsibilities to three Committees, namely:</p> <ul style="list-style-type: none"><li>• Audit Committee (AC);</li><li>• Nominating Committee (NC); and</li><li>• Risk Management Committee (RMC).</li></ul> <p>Roles and responsibilities of the AC and NC in discharging its functions which had been delegated by the Board are set out in each respective Board Committees' Terms of Reference (ToR) while The RMC has worked out an Enterprise Risk Management (ERM) Framework to assess the various types of risks which might have an impact on the profitable operation of the Group. Both ToRs and risk management framework are available on Company's corporate website at <a href="http://www.pieib.com.my">www.pieib.com.my</a>. The Chairman of the various Committees will report to the Board the outcome of their meetings and such reports are incorporated in the minutes of the Board meeting.</p> <p>The Board has overall responsibility for the sustainable growth and financial soundness of the Company and its subsidiaries (the Group). To ensure the Group operates as desired goals and objectives of the Company, the Board has the power to decide on all matters pertaining to the Company's business.</p> <p>1. The Board, together with the management is responsible for promoting good corporate governance (CG) culture within the</p>

Group and exercising reasonable care of the Company as well as the Group's resources in delivery of long-term value to shareholders while taking into account of other stakeholders. The Board understands that upholding CG values is not merely achieving the desired financial performance; but also reinforcing ethical, prudent and professional behaviour.

The Board is updated on the application of Malaysian Code on Corporate Governance ("MCCG" or the "Code") in the mid of 2017. Thereafter, the Board reviewed and discussed together the current practices applied in the Company and the standards as set out in the Code. The Board's commitment and continuous effort to uphold CG values in the organisation is undeniable.

The Code of Ethics for Directors includes principles relating to their duties, conflict of interest and dealings in securities are available at the Company's website.

PIE is committed to ensuring that its business and operations are conducted in an ethical, moral and legal manner. In line with this commitment, PIE had implemented the Whistleblowing Policy (WPP) to provide an avenue for all employees to disclose any improper conduct with the Company. The WPP of PIE is available at its corporate website.

The WPP sets out the internal channel/procedures for all employees of the Company to disclose any irregularities and the protection accorded to employees who disclose such allegations.

2. The Board plays an active role in the development of the Company's strategy, and monitoring of its performance and implementation.

The Board has in place a strategy planning process, whereby the Senior Management presents to the Executive Directors (EDs) its recommended strategy and proposed business plan for the following year during the management meeting. The EDs review and deliberate both the Management's proposals and its own points of view, and challenge the Management's views and assumptions for the proposed targets, to obtain the best outcome for the benefit of the Company.

Senior Management of each subsidiary prepared the annual budget 2017, and sets the Key Performance Indicators (KPIs) accordingly. The EDs presented the annual budget 2017 to the Board members. The Board provided its guidance and feedback on the proposed plan to Senior Management through EDs to further refine its plan for 2017.

3. In ensuring that the strategic plan of PIE supports long-term value creation, the Board reviews the outcome of the Management's

	<p>assessment and validates the material sustainability matters, namely economic, environmental and social that are important to the Company's business and stakeholders.</p> <p>A narrative statement of the management of material economic, environmental and social risks and opportunities is provided in the Sustainability Report in Annual Report 2017.</p> <p>4. The Managing Director (MD) is responsible for the day-to-day management of the business and operation of the Group with respect to both its regulatory and commercial functions. MD is supported by Senior Management and respective Department Heads or Section Heads. They reported to the MD who monitors the business performance of the Group bench-marked against the KPIs set during management meetings. The Management's performance under the leadership of the MD is monitored by the Board through quarterly results which is tabled to the Board during each reporting period.</p> <p>The Board continuously observes the external and internal business environment to ensure proper actions has been taken to address the environmental changes that might affect the Group's business.</p> <p>5. The Board oversees the risk management framework of the Group and monitors the Group's risk profile with the assistance from its RMC. The RMC advises the AC and the Board on areas of high risk and the adequacy of compliance and control procedures throughout the organisation to ensure that all major risks are well managed. The AC reviews the internal controls of the Group to ensure the protection of its assets and its shareholders' investment.</p> <p>6. The RMC comprising Department Heads or Section Heads to assess the Group's risk exposure and implementation of appropriate actions manage the risks.</p> <p>7. The Board has reviewed and approved the ERM Framework, an overarching framework for 4 categories of enterprise risks namely Strategic, Operation, Reporting and Compliance. The RMC assists the Board in overseeing the adherence of established risk appetite/tolerance at the enterprise wide level in the ERM Framework.</p> <p>8. The Management is requested by RMC to attend succession planning programme and Balanced Scorecard training which help in formulating succession policy for the Group's key personnel positions with a view to ensuring the Group's continued ability to sustain and compete effectively in the market.</p> <p>9. To enable effective communication with stakeholders, the Board</p>
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	<p>has identified the relevant personnel to handle investor relation related matter for the Group and their contacts are published in the Group's website. During the financial year ended 31 December 2017 (FY2017), the Company communicated material news on the Company's corporate affairs to its shareholders vide release of public announcement.</p> <p>10. The Board emphasised the importance of embracing the integrity and ethical values across the organisation. The same applies to the Company's financial and non-financial reporting to ensure reliability, timeliness, transparency and compliance with the relevant standards.</p>	
:		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The roles and responsibilities of the Chairman of the Board have been clearly specified in the Board Charter, which is available on the Company's corporate website at <a href="http://www.pieib.com.my">www.pieib.com.my</a>.</p> <ol style="list-style-type: none"><li>1. The Chairman leads the Board by setting the tone at the top, and managing the Board's effectiveness by focusing on strategy, governance and compliance. In turn, the Board monitors the functions of the Board Committees in accordance with their respective ToR to ensure its own effectiveness.</li><li>2. The Chairman with the assistance of the Company Secretary sets the board agenda for each meeting based on the dates of scheduled Board meetings in the annual meeting calendar. The Chairman ensures that all Directors have full and timely access to information with an agenda on matters requiring Board's consideration. Agenda and documents relevant to the Board meetings are circulated at least 7 days in advance to the Directors for their review before the meetings to ensure the effectiveness of the Board meetings.</li><li>3. The Chairman leads the pace of the meeting and fosters discussion and deliberation to ensure effective decision making processes.</li><li>4. The Chairman encourages Board members to actively take part on the Board meetings and promotes an open environment to allow Board members to freely express dissenting views for discussion on the overall control, Management's performance and strategy development of the Company.</li><li>5. During deliberations at Board meetings, the Chairman provides his objective views and decisions to resolve situations when there are differing views between the Board Members and the Management.</li></ol>

	<p>6. The Chairman plays a role in fostering constructive dialogue between stakeholders and the Board to ensure that stakeholders' views are conveyed to the Board.</p> <p>7. The Chairman leads the Board by ensuring that PIE adheres to all the relevant laws and regulations as well as champions good CG and ethical practices throughout the Group.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>:</p>
<p><b>Timeframe</b></p>	<p>:</p>

## Intended Outcome

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

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The distinct and separate roles and responsibilities of the Chairman and MD are provided in the Board Charter, which is available on the Company's corporate website at <a href="http://www.pieib.com.my">www.pieib.com.my</a>.</p> <p>The positions of Chairman and MD are held by two different individuals who are not related to each other. The Chairman is an Independent Non-Executive Director while the MD is an Executive Director of the Company. During the financial year, En. Ahmad Murad Bin Abdul Aziz, the former Chairman, led and managed the Board by focusing on strategy, governance and compliance whereas the MD, Mr. Mui Chung Meng managed the day-to-day business operations of the Company and implemented the Board's decisions. Following the resignation of En. Ahmad Murad on 1 March 2018, Mr. Khoo Lay Tatt was redesignated as the Chairman of PIE.</p> <p>There is a clear division of responsibilities between the Chairman and the MD to ensure balance of power and authority, increased accountability and greater capacity of the Board for independent decision making.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

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

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is supported by Chartered Secretaries, Ms. How Wee Ling (MAICSA 7033850) and Ms. Ooi Ean Hoon (MAICSA 7057078) who are qualified to act as company secretary under Section 235(2) of the Companies Act 2016.</p> <ol style="list-style-type: none"><li>1. The Company Secretaries attend all Board and Board Committees meetings and support the Board by ensuring that all meetings are properly conducted and deliberations of issues discussed, decision and conclusions at the meetings are well captured and recorded in the minutes of the meetings.</li><li>2. The Company Secretaries are responsible for advising the Board of their obligations and duties, disclosure of their interest in securities, disclosure of any conflict of interest in a transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.</li><li>3. The Company Secretaries assist the Board on orientation of new director(s). Newly appointed Director(s) undergo a formal induction on their roles and responsibilities and business nature of the Group.</li><li>4. The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in CG through attendance at relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries.</li></ol> <p>The Company Secretaries play an advisory role to the Board on corporate disclosures and compliance with the relevant changes to the laws, rules and regulations. The Company Secretaries updated the Board on the implementation of Companies Act 2016 effective 31 January 2017, and the amendments to the Main Market Listing Requirements (Main LR) issued by Bursa Malaysia Securities Berhad on 29 November 2017.</p>

	<p>5. For annual general meetings which are held at the end of May annually, the Company Secretaries assist the Board in ensuring that the due processes and proceedings are in place and properly managed. During the meetings, the Company Secretaries minute the question raised by the shareholders, if any.</p> <p>6. The Company Secretaries monitor the developments of CG and assist the Board in applying best practices to meet the Board's needs and stakeholders' expectations. In August 2017, the Company Secretaries highlighted to the Board the current practices of the Company which required further improvement for adherence to the CG standards as promulgated under the MCCG.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated in Q4 to all Directors before the beginning of every year. The calendar provides Directors with scheduled dates for the Board meetings, Board Committees meetings and the Annual General Meeting (AGM).</p> <p>The Board has full and timely access to information with agenda and documents relevant to the meetings distributed in advance of meetings, at least seven (7) days prior to the meeting, to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meetings. This is to ensure that the Directors have sufficient preparation time and information to make an informed decision at each Board meeting.</p> <p>The Senior Management are invited to attend the Board meetings to present to the Board on major issues relating to their areas of responsibility as and when required.</p> <p>The deliberations and decisions at Board and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation.</p> <p>The Company Secretaries will communicate to the relevant Management the Board's decisions/recommendations (as the case may be) via circulation of draft minutes of meetings for appropriate actions to be taken. The Company Secretaries will also follow up with the Management on status of actions taken with reference to the previous minutes of meetings for updating the Board. Action items would stay as matters arising in the minutes of meetings until they are resolved.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

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

## Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

### Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied																				
<b>Explanation on application of the practice</b>	:	<p>The roles and responsibilities of the Board, Chairman, MD, Senior Independent Non-Executive Director, Individual Directors, Company Secretary and Board Committees are set out in the Company's Board Charter.</p> <p>The Company's Board Charter is subject to review periodically to ensure it remains consistent with the Board's objectives, current laws and CG practices. The Board Charter was reviewed on 27 February 2017 and last revised on 23 February 2018. The Board Charter is available on the Company's corporate website at <a href="http://www.pieib.com.my">www.pieib.com.my</a>.</p> <p>The Board is also responsible to ensure continuing education/training for the Directors to update their knowledge and enhance their skills through attendance at relevant programs, so as to enable them to sustain their active participation in Board deliberations.</p> <p>In accordance with Paragraph 15.08(3)(b) of the Main LR, the Directors had attended various training programmes in 2017 which include the following:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Name of Director</th> <th style="width: 45%;">Training Programmes / Seminars</th> <th style="width: 15%;">Mode of Training</th> <th style="width: 25%;">No. of Hours / Days spent</th> </tr> </thead> <tbody> <tr> <td rowspan="4" style="vertical-align: top;">Khoo Lay Tatt</td> <td>• Release of the Malaysian Code on Corporate Governance (26 April 2017)</td> <td>Seminar</td> <td>½ day</td> </tr> <tr> <td>• Bankers meet Businesses and MIDA Penang Investment briefing (26 July 2017)</td> <td>Briefing</td> <td>½ day</td> </tr> <tr> <td>• Overview on Companies Act 2016 (28 July 2017)</td> <td>Seminar</td> <td>½ day</td> </tr> <tr> <td>• Workshop on Driving Financial Integrity and</td> <td>Workshop</td> <td>1 day</td> </tr> </tbody> </table>				Name of Director	Training Programmes / Seminars	Mode of Training	No. of Hours / Days spent	Khoo Lay Tatt	• Release of the Malaysian Code on Corporate Governance (26 April 2017)	Seminar	½ day	• Bankers meet Businesses and MIDA Penang Investment briefing (26 July 2017)	Briefing	½ day	• Overview on Companies Act 2016 (28 July 2017)	Seminar	½ day	• Workshop on Driving Financial Integrity and	Workshop	1 day
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	• Overview on Companies Act 2016 (28 July 2017)	Seminar	½ day																			
	• Workshop on Driving Financial Integrity and	Workshop	1 day																			

		Performance – Enhancing Financial Literacy for Audit Committees (1 August 2017)			
		• In-House Training organised by Saudee Group Berhad – Halal Awareness Programme (15 November 2017)	Seminar	1 day	
	Chen, Chih-Wen	• Bank Negara Malaysia’s Financial Stability and Payment System Report (28 March 2017)	Seminar	5 Hours	
		• GST 2.0 Update & Beyond ERP 2017 (11 May 2017)	Seminar	7 Hours	
	Loo Hooi Beng	• COSO Internal Control Certification (10 – 12 April 2017)	Workshop	24 Hours	
		• Strategi Mencegah Terjadinya Kecurangan di Perusahaan (7 June 2017)	Seminar	8 Hours	
		• Strategic Business Plan & Futuristic Thinking (23 – 27 October 2017)	Workshop	40 Hours	
	En. Ahmad Murad Bin Abdul Aziz, Mr. Mui Chung Meng, Mr. Cheung Ho Leung and Mr. Lee Cheow Kooi were unable to attend any training in 2017 due to their tight schedule and travel commitments. Nevertheless, they continue to keep themselves abreast with the recent regulatory and corporate governance developments by studying the relevant reading materials published at various professional websites and newsletters from the authorities forwarded by the Management and Company Secretary from time to time.				
	<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>	:	<p>The Board is mindful of its leadership in business ethics practices as one of the key elements of business sustainability.</p> <p>The principle of the Code of Ethics for Directors is based on principles of sincerity, integrity, responsibility and corporate social responsibility. This Code of Ethics provides guidance for establishing a standard of ethical behaviour for Directors and upholding the spirit of responsibility and social responsibilities.</p> <p>The Directors' Code of Ethics consist of three (3) major areas, namely:</p> <ul style="list-style-type: none"> <li>• Corporate Governance;</li> <li>• Relationship with shareholders, employees, creditors, customers and other stakeholders; and</li> <li>• Social responsibilities and the environment.</li> </ul> <p>Employee handbook outlines the code of conduct components such as compliance with laws, rules and regulations, respect to colleague in the workplace, protection of Company's property, professionalism in all business practices and etc. which promotes integrity and ethical behaviour in all aspect of the Company's operations.</p> <p>The Code of Ethics for Directors is available on the Company's corporate website at <a href="http://www.pieib.com.my">www.pieib.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>		

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



## Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is committed to ensure high standards of CG, business integrity and accountability in conduct of its business and operations.</p> <p>The Company's Whistleblowing Policy provides the internal channel/procedures for employees of the Company and any external party to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines. This policy also provides protection to the individuals who have made the allegation or reported the misconduct.</p> <p>The above policy is available on the Company's corporate website at <a href="http://www.pieib.com.my">www.pieib.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>		
<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.

<b>Application</b>	:	Departure																								
<b>Explanation on application of the practice</b>	:																									
<b>Explanation for departure</b>	:	<p>During FY2017, the Board comprised three (3) EDs, one (1) Non-Independent, Non-Executive Director (NINED), two (2) Independent, Non-Executive Directors (INEDs) and one (1) Senior Independent, Non-Executive Director (SINED).</p> <p>On 1 March 2018, following the resignation of En. Ahmad Murad Bin Abdul Aziz as a SINED, Mr. Cheung Ho Leung as an ED and the appointment of Ms. Koay San San as an INED, the Board size was reduced from seven (7) members on 31 December 2017 to six (6) members.</p> <p>PIE's board composition as presented below:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">During FY2017</th> <th colspan="2">w.e.f 1 March 2018</th> </tr> <tr> <th>Composition</th> <th>Percentage (%)</th> <th>Composition</th> <th>Percentage (%)</th> </tr> </thead> <tbody> <tr> <td>EDs</td> <td>3/7</td> <td>42.86</td> <td>2/6</td> <td>33.33</td> </tr> <tr> <td>NINED</td> <td>1/7</td> <td>14.29</td> <td>1/6</td> <td>16.67</td> </tr> <tr> <td>INEDs &amp; SINED</td> <td>3/7</td> <td>42.85</td> <td>3/6</td> <td>50.00</td> </tr> </tbody> </table> <p>Since then, the Board comprises 50% of Independent Directors, in line with the Practice which at least half of the Board consists of Independent Directors.</p> <p>All Directors had given confirmations on an annually basis, as to whether he/she has any family relationship with any director and/or major shareholder of PIE, any convictions for offences within the past five (5) years other than traffic offences, any public sanction or penalty imposed by the relevant regulatory bodies, any conflict of interest with PIE and any securities held in PIE. This is one of the criteria to enable the Board/NC to assess the Directors' independence as and when any new interest or relationship develops.</p> <p>Alternative practice: The assessment of independence of the INEDs is conducted annually through forms of declaration of independence by each INED to facilitate the process of determining the Director's independence.</p>		During FY2017		w.e.f 1 March 2018		Composition	Percentage (%)	Composition	Percentage (%)	EDs	3/7	42.86	2/6	33.33	NINED	1/7	14.29	1/6	16.67	INEDs & SINED	3/7	42.85	3/6	50.00
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	Composition	Percentage (%)	Composition	Percentage (%)																						
EDs	3/7	42.86	2/6	33.33																						
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INEDs & SINED	3/7	42.85	3/6	50.00																						

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

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

## Intended Outcome

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

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	: Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	<p>The Board noted the terms of serving in PIE of both Mr. Khoo Lay Tatt and Mr. Loo Hooi Beng would come to a cumulative term of nine years in November and June 2018 respectively.</p> <p>After having assessed and reviewed on their qualification, experience and performance on 23 February 2018, the Board was of the view that:</p> <p><u>Mr. Khoo Lay Tatt</u></p> <ul style="list-style-type: none"><li>i) He fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Securities (Main LR). Mr. Khoo has demonstrated throughout the terms of his office to be independent by exercising independent judgment when a matter is put before him for decision. Thus, he would be able to function as check and balance, provide broader view and brings an element of objectivity to the Board.</li><li>ii) He also has the necessary knowledge of the corporate and business of the Group and has the experience to make informed decision and participate actively and contribute positively during deliberations or discussions at Board Meetings.</li><li>iii) He has performed his duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the Management.</li></ul> <p><u>Mr. Loo Hooi Beng</u></p> <ul style="list-style-type: none"><li>i) He fulfilled the criteria under the definition of an Independent Director as stated in the Main LR. Mr. Loo has demonstrated throughout the terms of his office to be independent by exercising independent judgment when a matter is put before him for decision. Thus, he would be able to function as check and balance, provide broader view and brings an element of objectivity to the Board.</li></ul>

	<p>ii) His vast experience in the finance, accounting, taxation and internal control areas enabled him to provide the Board with a diverse set of experience, expertise and independent judgement and thereby, able to make informed decision and participate actively and contribute positively during deliberations or discussions at Board Meetings.</p> <p>iii) He has performed his duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the Management.</p> <p>In view of the assessment, the Board proposed to retain Mr. Khoo Lay Tatt and Mr. Loo Hooi Beng, to continue acting as INEDs of the Company which subject to the shareholders' approval at the forthcoming 21<sup>st</sup> AGM.</p> <p>The Board is presently of the view that there is no necessity to fix a maximum tenure limit for INEDs as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs. Similarly, the Board does not set a time-frame on how long an INEDs should serve on the Board, mainly for the following reasons:</p> <ul style="list-style-type: none"> <li>• The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.</li> <li>• NC would conduct an annual assessment of INEDs in respect of inter-alia their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgment. Furthermore, the NC also would review the Directors Profile of Independent Directors and assess its family relationship, interest of shareholdings in the Company and related party transactions with the Group (if any).</li> </ul>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

**Intended Outcome**

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

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

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

<b>Application</b>	:	Applied																																													
<b>Explanation on application of the practice</b>	:	<p>The Board recognizes that diversity is important to enhance Board effectiveness as diversity broadens the debate within the Board by harnessing different insights and perspectives. The Board with a diversified background and collectively bring with them a wide range of experience and expertise in areas such as technology, marketing, industrial, corporate, accounting, finance, governance risk and compliance, and law/legal with relevant industry knowledge in which PIE currently operates in.</p> <p>The Board and NC take into account the current diversity in the skills, experience, gender, ethnicity and age of the existing Board in seeking potential candidate(s). 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.</p> <p>The Directors' profiles are provided on pages 5 to 8 of the Annual Report. In FY2017, the diversity in the age, ethnicity and gender of the Board were as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="3">Age</th> <th colspan="3">Ethnicity</th> <th colspan="2">Gender</th> </tr> <tr> <th>40-49</th> <th>50-59</th> <th>60-70</th> <th>Bumiputra</th> <th>Chinese</th> <th>Foreigner</th> <th>M</th> <th>F</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>3</td> <td>3</td> <td>1</td> <td>4</td> <td>2</td> <td>7</td> <td>0</td> </tr> </tbody> </table> <p>Besides, the appointment of Key Senior Management was also made with due regard for diversity in skills, experience, gender, ethnicity and age. The profiles of the Key Senior Management are furnished on pages 9 and 10 of the Annual Report. The diversity in the age, ethnicity and gender of the Key Senior Management were as follows in FY2017:</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="3">Age</th> <th colspan="2">Ethnicity</th> <th colspan="2">Gender</th> </tr> <tr> <th>40-49</th> <th>50-59</th> <th>60-70</th> <th>Chinese</th> <th>Foreigner</th> <th>M</th> <th>F</th> </tr> </thead> <tbody> <tr> <td>2</td> <td>3</td> <td>2</td> <td>5</td> <td>2</td> <td>5</td> <td>2</td> </tr> </tbody> </table> <p>While it is important to promote such diversity, the normal selection criteria of a Director or Senior Management, based on effective blend of competencies, skills, extensive experience and knowledge in relevant industry should remain priority so as not to compromise on the effectiveness in carrying out their duties and responsibilities and the achievement of the Group's goals and objectives.</p>	Age			Ethnicity			Gender		40-49	50-59	60-70	Bumiputra	Chinese	Foreigner	M	F	1	3	3	1	4	2	7	0	Age			Ethnicity		Gender		40-49	50-59	60-70	Chinese	Foreigner	M	F	2	3	2	5	2	5	2
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2	3	2	5	2	5	2																																									

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



## Intended Outcome

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

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>During the FY2017, there was no woman representation on the Board. Following the appointment of Ms. Koay San San as an INED, women participation on Board has reached 17% on 1 March 2018.</p> <p>With respect to the Senior Management, PIE currently has 25% of women holding key positions in the Group in FY2017.</p> <p>Alternative practice: The Board Charter stipulates that "The Board shall at all times promotes and welcomes diversity and gender mix in its composition and gives due recognition to the technical and business experience of the Directors."</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NC is guided by the ToR in carrying out its responsibilities in respect of the nomination, selection and appointment process for Directors of the Company.</p> <p>Appointment of Board is based on objective criteria, merit and with due regard for diversity in skills, experience, age, ethnicity and gender. As such, director candidates should be sourced from a diverse pool. During the FY2017, there was no appointment to the Board.</p> <p>To ensure that Directors have sufficient time to fulfil their roles and responsibilities effectively and in line with the Paragraph 15.06 of the Main LR, the criterion as agreed by the Board for determining candidates for the pool of potential Directors is that they must not hold directorships of more than five (5) public listed companies.</p> <p>On 23 February 2018, an INED introduced four (4) proposed candidates to the Board and he then abstained himself from the deliberation during the interview session and the nominating process. Based on the current size of the Group, the sourcing of candidate(s) via the existing INED would be a better option as it provided much efficiency and effectiveness by saving time and resources as compared to the independent source.</p> <p>After having considered the gender diversity requirement and personal qualities, the NC agreed to recommend Ms. Koay San San for the appointment as INED of the Company.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 4.7

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	During the FY2017, the Chairman of the NC was En. Ahmad Murad Bin Abdul Aziz, a SINED.  On 1 March 2018, Mr. Khoo Lay Tatt, an INED was redesignated as Chairman of the NC subsequent to the resignation of En. Ahmad Murad.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied										
<b>Explanation on application of the practice</b>	:	<p>The NC established a set of appraisal form which comprising quantitative and qualitative performance criteria to evaluate the performance of each member of the Board, each Board Committee and reviewing the performance of the Board as a whole. The criteria for assessment of Directors shall include attendance record, intensity of participation at meetings, quality of interventions and special contributions.</p> <p>Individual Director self evaluation, assessment of independency of Independent Directors, Board evaluation, Board Committee evaluation were carried out annually. The areas covered are as follows:</p> <table border="1"> <thead> <tr> <th>Annual Evaluation</th> <th>Assessment Criteria</th> </tr> </thead> <tbody> <tr> <td>Individual Director self evaluation</td> <td> <ul style="list-style-type: none"> <li>• Professional qualification &amp; skills</li> <li>• Knowledge &amp; experience</li> <li>• Interaction with the Board / Management</li> <li>• Participation and contributions during Board meetings</li> <li>• Other traits / strengths</li> <li>• Management skills &amp; abilities</li> </ul> </td> </tr> <tr> <td>Assessment of independency of Independent Directors</td> <td>As prescribed under Paragraph 1.01 and Practice Note 13 of Main LR.</td> </tr> <tr> <td>Board evaluation</td> <td> <ul style="list-style-type: none"> <li>• Board structure</li> <li>• Board operations</li> <li>• Board roles &amp; responsibilities</li> <li>• Board Chairman's role &amp; responsibilities</li> </ul> </td> </tr> <tr> <td>Board Committee evaluation</td> <td>Quality and composition, skills and competencies, meeting administration &amp; conduct are evaluated by Chairman of the NC</td> </tr> </tbody> </table> <p>On 23 February 2018, the above assessments were carried out in respect of the FY2017. The NC reviewed the result of the evaluation</p>	Annual Evaluation	Assessment Criteria	Individual Director self evaluation	<ul style="list-style-type: none"> <li>• Professional qualification &amp; skills</li> <li>• Knowledge &amp; experience</li> <li>• Interaction with the Board / Management</li> <li>• Participation and contributions during Board meetings</li> <li>• Other traits / strengths</li> <li>• Management skills &amp; abilities</li> </ul>	Assessment of independency of Independent Directors	As prescribed under Paragraph 1.01 and Practice Note 13 of Main LR.	Board evaluation	<ul style="list-style-type: none"> <li>• Board structure</li> <li>• Board operations</li> <li>• Board roles &amp; responsibilities</li> <li>• Board Chairman's role &amp; responsibilities</li> </ul>	Board Committee evaluation	Quality and composition, skills and competencies, meeting administration & conduct are evaluated by Chairman of the NC
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Board Committee evaluation	Quality and composition, skills and competencies, meeting administration & conduct are evaluated by Chairman of the NC											

	and agreed that the Company has the necessary mix of skill, experience and other necessary qualities to serve the Board and Board Committee effectively.	
<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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors of the Company.</p> <p>The Board has formulated the following policy for fixing remuneration packages of each Director :</p> <ol style="list-style-type: none"><li>1. Determination of remuneration of Directors remained a collective decision of the Board.</li><li>2. The remuneration of Non-Executive Directors should be reflective of their experience, level of responsibilities and the contribution by each individual Director.</li><li>3. All Directors are entitled to directors' fee that is subject to shareholders' approval.</li><li>4. Other than directors' fee, Executive Directors shall be entitled to salary and bonus, statutory contribution and other allowances incidental to the performance of their duties.</li><li>5. In determining the remuneration package of the Non-Executive Directors, the Director concerned will abstain from the discussion.</li><li>6. The Board may obtain independent professional advice in formulating the remuneration package of its Directors.</li></ol> <p>The policy is available on the Company's corporate website at <a href="http://www.pieib.com.my">www.pieib.com.my</a>.</p> <p>As a procedure:</p> <ul style="list-style-type: none"><li>• Directors' fees and benefits payable to the NEDs have been reviewed by the Board, thereafter, recommends to the shareholders for approval in the annual general meeting in accordance with Section 230(1)(b) of the Companies Act 2016.</li><li>• The Board will meet at least once in a financial year to formulate and review the remuneration policy and remuneration of members of the Board and Board Committee.</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

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

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

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	Given the present size of the Board, the Board has decided not to set up a remuneration committee as recommended by the Code.
		Alternative practice: The Board formulated a policy for fixing remuneration packages of each Director as stated under Practice 6.1 of CG Report.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b> :	Applied								
<b>Explanation on application of the practice</b> :	The detailed disclosures of remuneration breakdown of each Director for the FY2017 are as follows:								
	Name of Directors	Remuneration received from the Company				Remuneration received from Subsidiary Companies		Group Total (RM'000)	
		Salary (RM'000)	Fees (RM'000)	Bonus (RM'000)	Other Emoluments (RM'000)	Total (RM'000)	Salary (RM'000)		Benefits-in-kind (RM'000)
	Khoo Lay Tatt	-	24	-	4	28	-	-	28
	Mui Chung Meng	231	-	903	3	1,137	86	10	1,233
	Chen, Chih-Wen	61	-	263	3	327	37	7	371
	Loo Hooi Beng	-	24	-	4	28	-	-	28
	Lee Cheow Kooi	-	-	-	3	3	-	-	3
	Koay San San <i>(Appointed w.e.f. 1 March 2018)</i>	-	-	-	-	-	-	-	-
	Ahmad Murad Bin Abdul Aziz <i>(Resigned w.e.f. 1 March 2018)</i>	-	24	-	6	30	-	-	30
	Cheung Ho Leong <i>(Resigned w.e.f. 1 March 2018)</i>	-	-	-	-	-	-	-	-

<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.

<b>Application</b>	:	Applied			
<b>Explanation on application of the practice</b>	:	The top five Senior Management of the Group whose total remuneration during the financial year fall within the following bands, is as follows:			
		<b>Name of Senior Management</b>	<b>Range of Remuneration</b>		
			<b>RM250,001 - RM300,000</b>	<b>RM400,001 - RM450,000</b>	<b>RM450,001 - RM500,000</b>
		Law Tong Han		√	
		Hong Yong Peng	√		
		Saw Siew Hong	√		
		Chen, Meng-Lung			√
Liao, Yueh-Chen	√				
<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 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not adopted
<b>Explanation on 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the AC, Mr. Loo Hooi Beng, an INED is not the Chairman of the Board.</p> <p>As at 31 December 2017, The Chairman of the Board was En. Ahmad Murad Bin Abdul Aziz, also the SINED of PIE. Following his resignation on 1 March 2018, Mr. Khoo Lay Tatt, an INED was redesignated as Chairman of the Board.</p> <p>Whilst this practice has always been adopted by PIE, the ToR of the AC has been amended and approved by the Board on 30 March 2018 to reflect the requirements in Practice 8.1 of the MCG that "<i>The Chairman of the AC must not be the Chairman of the Board</i>".</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 8.2

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

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>PIE has always recognised the need to uphold independence. None of the members of the Board were former key audit partners within the cooling-off period of two (2) years. Hence, there is no such person being appointed as a member of the AC. It is noted that the "cooling-off" period is founded in the Provision 290.139 of the By-Laws (on Professional Ethics, Conduct and Practice) by the Malaysian Institute of Accountants.</p> <p>Alternative practice: Whilst this practice has always been adopted by PIE, the ToR of the AC has been amended and approved by the Board on 30 March 2018 to reflect the requirements in Practice 8.2 of the MCGG that "A former key audit partner shall observe a cooling-off period of at least 2 years before being appointed as a member of the AC or such other period stipulated under the By-Laws (on Professional Ethics, Conduct and Practice) by the Malaysian Institute of Accountants".</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC had obtained written assurance from its external auditors, Messrs. Grant Thornton (GT), confirmed that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements in respect of the audited financial statements of the Group for the FY2017.</p> <p>Apart from the assessment guided by the External Auditors Performance and Independence Checklist, the assessment on the suitability, objectivity and independence of the External Auditors, amongst others, are:</p> <ul style="list-style-type: none"><li>• On 6 March 2017, the External Auditors met up with the Committee to update the status of audit progress for financial year ended 31 December 2016 (FY2016) and some pending information/documents in relation to the audit.</li><li>• On 6 November 2017, the External Auditors tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for FY2017, more particularly outlined the nature and scope of audit, audit timetable, list of management communication term and audit engagement team to the Committee;</li><li>• On 23 February 2018, the Committee noted that the identified Key audit matters by the External Auditors, to be presented in its Independent Auditors' Report;</li><li>• On 30 March 2018, the External Auditors briefed the Committee on the Status of Audit Exit Meeting FY2017;</li><li>• Two (2) Discussion sessions held with the External auditors without the presence of the Executive members.</li></ul> <p>Formed part of the AC's assessment of the suitability, objectivity and independence of GT on an annual basis. Based on the outcome of its assessment conducted on 6 March 2017, the AC decided to recommend to the Board for the shareholders' approval to be sought on the re-appointment of external auditors at the 20<sup>th</sup> AGM. Please refer the Audit Committee Report of this Annual Report for more details.</p>

	<p>The Board maintains a transparent relationship with external auditors. Members of the AC meet the external auditors at least twice a year without the presence of the executive Board members to discuss the results and concerns arising from their audit.</p> <p>The AC was satisfied with the suitability of GT based on the quality audit processes, adequate technical support and experience, and sufficient resources the external audit team provided to the Group and its audit independence and performance throughout its course of audit for the FY2017. The AC was also satisfied in its review that the provision of the non-audit services by GT to the Company for the FY2017 did not in any way impair their objectivity and independence as external auditors of the Company.</p> <p>On 30 March 2018, the AC recommended the re-appointment of GT as external auditors of the Group to the Board for approval by shareholders at the forthcoming 21<sup>st</sup> AGM.</p>
<p><b>Explanation for departure</b> :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	



### **Intended Outcome**

There is an effective and independent Audit Committee.

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

### **Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The AC comprised solely of INEDs throughout FY2017. As of the publication of this CG Report, the AC still comprised solely of INEDs.

## 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>	:	<p>All AC members are financially literate to review and analyse Company's financial statement, possess the necessary knowledge, experience, expertise and skills which contributed to the overall effectiveness of the AC. The qualification and experience of the individual AC members are disclosed in the Directors' Profile on pages 5 to 8 of the Annual Report.</p> <p>All AC members undertake continuous professional development to ensure that they are abreast of relevant developments in accounting and auditing standards, practices and rules to meet their requirements. The details training attended stated in Practice 2.1.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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 an effective risk management and internal control framework as set out in the Statement on Risk Management and Internal Control (SORMIC) which has been reviewed by the external auditors provided on pages 18 to 22 of the Annual Report to ensure that the risks are managed within risk tolerance set by the Board.</p> <p>The level of risk tolerance of the Company is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to be high risk, medium risk and low risk.</p> <p>The Board recognises that system of internal control are designed to manage and mitigate rather than eliminate the risk of failure in achieving the Company's corporate objective and safeguarding the Group's assets as well as investors' interests. Therefore, such system can only provide reasonable but not absolute assurance against material misstatements or losses.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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>	:	<p>The RMC assists the Board to oversee the risk management matters of the Group, which include identifying, quantifying, managing, monitoring and mitigating significant risks across the Group. The RMC is also responsible to manage the overall risk exposure of the Group.</p> <p>The RMC reviews and recommends for the Board's consideration and approval, the risk management principles, frameworks and policies for managing risks within the Group. The framework and policies are reviewed periodically to ensure their continuous effectiveness and when there are significant regulatory changes.</p> <p>The AC evaluates the adequacy and effectiveness of the Group's internal control systems by reviewing the actions taken on deficiencies identified in reports provided by both the internal and external auditors. The AC also reviews the internal and external auditors' recommendation and management responses to these recommendations to ensure that they are working adequately and promptly.</p> <p>Further details on the management and reporting of four (4) risk categories i.e. strategic risk, operational risk, financial risk, compliance risk, and the controls in place to mitigate and manage those risks are provided in the SORMIC on pages 18 to 22 of the Annual Report.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

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 Group has engaged the services of an independent professional accounting and consulting firm, Finfield Corporate Services Sdn. Bhd. (FCS), to provide independent assurance on the effectiveness as well as the adequacy and integrity of the Group's system of internal control.</p> <p>AC has unrestricted access to the Internal Auditor. Internal Auditor reports directly to the AC highlighting key issues and concerns arising from the audits conducted based on the internal audit plan approved by the AC. The results of the audits as disclosed in the internal audit reports were reviewed by the AC. The relevant Management members were made responsible for ensuring that corrective actions on reported weaknesses were taken within the required timeframes. Internal Auditor conducted follow-up audits and AC keeps updates on key engagements to ensure that the corrective actions were implemented appropriately.</p> <p>To ensure that the responsibilities of Internal Auditor are fully discharged, the AC reviews:</p> <ul style="list-style-type: none"> <li>(a) the performance of the Internal Auditor, who has relevant experience and necessary competency to regularly review of the effectiveness of risk management, control, and governance processes within the Group;</li> <li>(b) the adequate scope and sufficient resources of the internal audit function; and</li> <li>(c) the appraisal or assessment of performance of the internal audit function.</li> </ul> <p>A brief statement on the internal audit function with a summary of its key activities is disclosed under the AC Report on page 17 of the Annual Report.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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

## Intended Outcome

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

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The outsourcing Internal Auditor, FCS is independent from the Company.</p> <p>On 17 November 2017, FCS confirmed via the annual declaration that FCS is free from any relationships or conflicts of interest, which could impair FCS’s objectivity and independence in carrying out their duties for the FY2017.</p> <p>Mr. Tan Yen Yeow, the person responsible for internal audit of the Group, is a Chartered Accountant of Malaysian Institute of Accountants (MIA) and a Certified Internal Auditor from the Institute of Internal Auditors (IIA).</p> <p>Through as assessment carried out on 23 February 2018, the AC was satisfied with the competency, experience and resources of the internal audit function for discharging its role and responsibilities in respect of FY2017.</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 11.1

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>PIE ensures that its communication with the shareholders and various stakeholders is effective, transparent, timely and with quality disclosure. The Company also actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on PIE's website and engagement through the investor relations function.</p> <p>PIE's website, <a href="http://www.pieib.com.my">www.pieib.com.my</a>, is accessible to the public. To facilitate stakeholders' greater understanding to the Company's business and governance, "About Us" section provides PIE's corporate information such as group structure, Board of Directors, Code of Ethics for Director, Board Charter, ToR of respective Board Committee, Risk Management Framework and Whistleblowing Policy. "Investor Relations" section includes all announcements made by PIE through Bursa LINK such as quarterly financial results, change in boardroom, change in director's shareholding, outcome of the general meetings, dividend declaration and etc., annual reports and corporate governance of the Company.</p> <p>The Investor Relations function is established to enable continuous communication between the Company and its stakeholders. The name and contact number of the relevant personnel handling the investor relation related matter for the Group are also published in the PIE's website under "Investor Relations". However, stakeholders are encouraged to direct their inquiries via Contact Form set under the "Contact Person" of "Investor Relations".</p> <p>In 2017, a number of briefings on the Company's business development were held during the year to maintain an open communication with the investors, shareholders, intermediaries and regulators.</p>
<b>Explanation for departure</b> :	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<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>	:	PIE has not adopted international integrated reporting due to the present size of the Company.	
		Alternative practice: None	
<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>	:	<p>The Code was issued on 26 April 2017 and the Company despatched the notice of 20th AGM on 28 April 2017 for holding the said AGM on 26 May 2017.</p> <p>The Company's 21<sup>st</sup> AGM to be held on 25 May 2018 and notice was dated 26 April 2018. PIE dispatched the notice of AGM to shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the Companies Act 2016 and Main LR. Shareholders are given sufficient time to make arrangement to attend the general meeting either in person or by corporate representatives, proxies or attorneys.</p> <p>Moreover, further explanations for background information and relevant reports or recommendations will be provided on the ordinary resolutions proposed under special business to enable the shareholders to consider the resolutions thoroughly and make informed decision in exercising their voting rights during AGM.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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>	:	<p>All the directors attended the 20<sup>th</sup> AGM held on 26 May 2017 to engage directly with shareholders. The Chairman of AC, NC and RMC, other Board Committee as well as management representatives and external auditor also attended the AGM to give response to the shareholders' queries addressed to them.</p> <p>The shareholders were invited to participate in the Question &amp; Answer session conducted after the general meeting and the MD also presented the Company's operating and financial performance for 2016 during the session.</p> <p>Shareholders were invited to write officially via "Contact Form" which is available on the Company's corporate website at <a href="http://www.pieib.com.my">www.pieib.com.my</a> for their concern and the responsible officer could be responded in writing to after the meeting.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b> :	Departure	
<b>Explanation on application of the practice</b> :		
<b>Explanation for departure</b> :	<p>PIE has adopted poll voting at the 20<sup>th</sup> AGM held on 26 May 2017 for all resolutions proposed. PIE had appointed Tricor Investor &amp; Issuing House Services Sdn Bhd as Poll Administrator to conduct the polling process, and SH Corporation Services Sdn Bhd as Scrutineers to verify the poll results. Announcement of the detailed results of the poll voting had been made to the public accordingly.</p> <p>The Company will utilise electronic voting at the forthcoming 21<sup>st</sup> AGM to facilitate greater shareholder participation, expedite the voting and tabulation process.</p> <p>Notwithstanding the recommendation of the MCCG, PIE does not intent to have voting in absentia and remote participation at AGM by shareholders in the near future as the Company does not have large number of shareholders.</p> <p>Alternative practice: Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting.</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> :		

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

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

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