

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 1724  
**COMPANY NAME** : Paramount Corporation Berhad  
**FINANCIAL YEAR** : December 31, 2018

## **OUTLINE:**

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

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

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

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

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

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

### Intended Outcome

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

### Practice 1.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is collectively responsible for the overall corporate governance of the Company and the strategic direction of the Group.</p> <p>In discharging its fiduciary duties and leadership function, the Board exercised oversight on the Group's businesses and affairs through the following activities, amongst others, that were carried out by the Board in the year under review:</p> <ul style="list-style-type: none"><li>• Provided strategic guidance to management</li><li>• Monitored the implementation of strategic initiatives set out in the Group's 5-year Strategic Plan, 2015-2019 (<b>5-Year Plan</b>)</li><li>• Monitored management's performance in meeting the growth targets set out in the 5-Year Plan</li><li>• Approved the Group's 2018 Budget and Business Plan, and monitored operational performance against the budget</li><li>• Reviewed and approved corporate and business proposals submitted by management, which included the following:<ul style="list-style-type: none"><li>○ the disposal of a parcel of leasehold industrial land in Kota Damansara, Selangor under the Group's land development activities which generated a revenue of RM92.1 million and a profit of RM43.2 million for the Group</li><li>○ the proposed acquisition of a parcel of 41.4-acre freehold land in Cyberjaya, Selangor for a new gated and guarded landed residential development over the next six years with a projected gross development value (<b>GDV</b>) of RM570.0 million</li><li>○ the proposed high-rise residential development on a parcel of 9.66-acre leasehold land jointly with the landowner, namely Kumpulan Hartanah Selangor Berhad, a Selangor state-owned entity, over the next 10 years with a projected GDV of RM1.0 billion</li><li>○ the strategic collaboration with UOWM Sdn Bhd (<b>UOWM</b>), an investment entity of the University of Wollongong from New South Wales, Australia to uplift the brand position of KDU, the Group's tertiary education segment, through the proposed divestment of the Company's majority equity interests in KDU University College Sdn Bhd (<b>KDUUC</b>), KDU University College (PG) Sdn Bhd (<b>KDUPG</b>) and KDU College (PJ) Sdn Bhd to UOWM, which divestment will also generate a proforma gain</li></ul></li></ul>

	<p>of RM20.2 million for the Company</p> <ul style="list-style-type: none"> <li>○ the proposed disposal of the Group's three tertiary education campus properties at Utropolis Glenmarie, Shah Alam, Selangor, at Jalan Anson on the island of Penang, and at Bandar Cassia, Batu Kawan on the mainland of Penang to a special purpose vehicle to facilitate a leaseback of these campuses to KDUUC and KDUPG</li> <li>○ the proposed issue of two for five bonus shares and free warrants to reward the Company's shareholders in conjunction with Paramount's 50<sup>th</sup> anniversary</li> </ul> <ul style="list-style-type: none"> <li>• Approved the award of new Paramount shares to eligible employees of the Group pursuant to the Company's Long Term Incentive Plan (<b>LTIP</b>)</li> <li>• Updated the Board Charter, including the Terms of Reference of the four Board Committees, and all Board Policies with reference to the Malaysian Code on Corporate Governance 2017 (<b>MCCG 2017</b>)</li> <li>• Approved the Group's roadmap for implementation of the Committee of Sponsoring Organization of the Treadway Commission, USA (<b>COSO</b>) Internal Control Integrated Framework that was adopted in 2017</li> <li>• Tracked the economic, environmental and social governance activities of the Group on a half-yearly basis</li> <li>• Taken steps to develop the Board's succession and gender diversity plans, and appointed one woman Director on the Board in June 2018 thereby increasing the women representation on the Board to 22%.</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

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>	:	The Board has stipulated in the Board Charter that the Chairman is responsible for the effective leadership, operation and governance of the Board. To this end, the Chairman of the Board, Dato' Teo Chiang Quan, works with the Group Chief Executive Officer ( <b>CEO</b> ), Mr Jeffrey Chew Sun Teong, and the Company Secretary to set the agenda for Board meetings, and he ensures timely provision of accurate and relevant information to all Directors prior to the meetings. He leads the Board in all Board discussions and ensures that all members of the Board continue to contribute effectively to the development of the Company's strategies and policies. The Chairman also presides over all board meetings of the Company's subsidiaries, and he ensures that the boards of the subsidiaries conform to the high standards of governance that are practised by the Board. In addition, the Chairman undertakes the executive function of guiding management in the evaluation and selection of land bank to grow the Group's property development business.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.3**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The position of Chairman is held by Dato' Teo Chiang Quan whilst the position of CEO is held by Mr Jeffrey Chew Sun Teong.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	All Directors have unrestricted access to the Company Secretary, who plays an advisory role to the Board in relation to the Board policies and procedures, compliance with applicable laws, rules and regulations and codes. The Secretary supports the Board in the discharge of its duties by monitoring the status of adherence to corporate governance best practices, and ensuring that all information and materials that are required for the Board's consideration are provided to the Directors expeditiously, and that all Board deliberations and decisions are well captured in the minutes and resolutions, and communicated to the respective members of the management team for their necessary action. The duties of the Company Secretary include managing the processes pertaining to the Company's Annual General Meetings ( <b>AGMs</b> ) and maintenance of the Group's statutory records. Additionally, the Secretary keeps the Directors updated on new statutory and regulatory requirements, and attends to the sourcing of training programmes for the Directors.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

## Practice 1.5

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>The Board's activities were mostly conducted at the Board and Board Committee meetings held during the year. The meetings were scheduled in advance at the beginning of the year to enable the Board members to plan ahead for the meetings. In the intervals between the meetings, matters that required urgent decisions from the Board or the Board Committees were sought through circular resolutions, which were supported by information and explanations required for informed decisions to be made.</p> <p>Formal agendas together with a comprehensive set of meeting papers, consisting of the minutes of the previous meeting, management reports and proposals, were forwarded to the Directors five business days prior to the meetings. The Chairman chaired all Board meetings held in the year, and the meetings of the Board Committees were chaired by their respective Chairmen who updated the Board on the activities of the committees at the nearest Board meeting. All Directors participated actively in the Board deliberations, with no individual or group of individuals dominating the decision-making process of the Board or Board Committees. Deliberations and decisions made at such meetings were recorded in the minutes of the meetings, which were then tabled for confirmation at the next Board or Board committee meeting.</p> <p>The Secretary supports the Board in the discharge of its duties by monitoring the status of adherence to corporate governance best practices, and ensuring that all information and materials that are required for the Board's consideration are provided to the Directors expeditiously, and that all Board deliberations and decisions are well captured in the minutes and resolutions, and communicated to the respective members of the management team for their necessary action.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### Intended Outcome

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>In addition to outlining the role and duties of individual Directors, the Board Charter, which was adopted by the Board in 2013 and reviewed once in every three years, provides clear demarcation of responsibilities between the Board, the Board Committees, the Senior Independent Non-Executive Director, the Chairman, and the Group CEO.</p> <p>Although the Board confers some of its authorities to the Board Committees and delegates the day-to-day management of the Group's businesses operations to the key senior management team, it reserves for its decision significant matters, such as the following, to ensure that the direction and control of the Group is firmly in its hand:</p> <ul style="list-style-type: none"><li>• Strategic planning</li><li>• Annual budgets and performance reviews</li><li>• Financial reporting</li><li>• Material acquisition and disposal of assets</li><li>• Major capital expenditure</li><li>• Fund raising activities</li><li>• Corporate governance policies</li><li>• Announcements to Bursa Malaysia Securities Berhad</li><li>• Dividend payments</li><li>• Changes in the Board composition and principal officers</li><li>• Board and senior management remuneration</li><li>• Board and senior management succession planning</li></ul> <p>The four Board Committees are entrusted with specific responsibilities to oversee the Group's affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference as determined by the Board and set out in the Board Charter. Although specific powers are delegated to the Board Committees, the Board continues to keep itself abreast of the actions and decisions taken by each Board Committee through reports by the Chairman of each of the Board Committees at Board meetings.</p> <p>The Board Charter, Directors' Code of Ethics, Code of Business Conduct &amp; Ethics, Whistleblowing Policy, the Boardroom Diversity Policy and excerpts of the following policies are available on the Company's website at <a href="http://www.pcb.my">www.pcb.my</a>:</p>

	Directors' Assessment Policy Succession Planning Policy Insider Dealing Policy Board Remuneration Policy Investor Relations Policy Related Party Transaction Policy	
<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 has adopted a Directors' Code of Ethics and a Code of Business Conduct &amp; Ethics to ensure that high standards of governance, ethical, prudent and professional behaviour are embedded in the Board's activities and management practices across the Group. These codes are reviewed by the Board once in every three years. The Directors also adhere to the practice of declaring their interests, if any, in transactions that are submitted to the Board or Board Committees for approval, and abstaining from deliberating and voting on transactions in which they have an interest. There were no reported conflict of interest during the year under review or during the period from 1 January 2019 to the date of publication of the Statement on Corporate Governance.</p> <p>In efforts to prevent insider trading in Paramount shares and to maintain the confidentiality of price sensitive information, the Board has adopted an Insider Dealing Policy, providing better clarity to the definition of 'insider trading' and setting the steps that must be taken by all Directors and employees to ensure that full disclosure is made pre and post the act of trading during a closed period. The Board is not aware of any incidence of 'insider trading' during the year under review or during the period from 1 January 2019 to the date of publication of the Statement on Corporate Governance.</p> <p>The Board Charter, Directors' Code of Ethics, Code of Business Conduct &amp; Ethics, Whistleblowing Policy, the Boardroom Diversity Policy and excerpts of the following policies are available on the Company's website at <a href="http://www.pcb.my">www.pcb.my</a>:</p> <p>Directors' Assessment Policy Succession Planning Policy Insider Dealing Policy Board Remuneration Policy Investor Relations Policy Related Party Transaction Policy</p>
<b>Explanation for departure</b>	:	

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

### Intended Outcome

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

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

### Practice 3.2

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>In promoting a culture of high integrity and greater transparency, the Board has adopted a Whistleblowing Policy which is reviewed once in every three years. This policy provides employees of the Group and stakeholders an avenue to raise concerns regarding suspected fraud, wrongdoings and malpractices without being subject to victimisation, harassment or discriminatory treatment.</p> <p>The following can be considered as 'reportable activities' under the Whistleblowing Policy:</p> <ul style="list-style-type: none"><li>• Suspected or actual incidents of fraud or corruption</li><li>• Suspected or actual breach of the Company's policies, practices, procedures or other rules of conduct</li><li>• Suspected or actual misleading or deceptive conduct of any kind, including conduct or representations which amount to improper or misleading accounting or financial reporting practices</li><li>• Situations within the Company's control which pose danger to the health or safety of any person or significant danger to the environment</li><li>• Auditing matters, including non-disclosure or any subversion of the internal or external audit process</li><li>• Breach of confidential obligations</li></ul> <p>The policy also sets out the mechanism by which employees and any member of the public can confidently and anonymously voice concerns to the Chairman of the Audit Committee or the Head of the Internal Audit Department (<b>IAD</b>) at <a href="mailto:whistleblower@pcb.my">whistleblower@pcb.my</a>.</p> <p>Upon the receipt of complaints, the Head of the IAD will investigate and keep a record of all evidence gathered from the investigation, and recommend to the Audit Committee the course of action in a fair manner. The Audit Committee will then recommend the appropriate disciplinary action to the Board for decision. If the Board is satisfied that there are substantial evidence to confirm that the disclosed conduct has occurred, it will instruct the Human Resource Department to proceed with the procedures for disciplinary action whilst ensuring that the principles of natural justice are followed. All details pertaining to the whistleblower will be kept strictly confidential throughout the investigation proceedings. There were no concerns reported in financial year ended 31 December 2018 (<b>FY2018</b>) or during the period from 1 January 2019 to the date of publication of the Statement on Corporate Governance.</p>

	<p>The Board Charter, Directors' Code of Ethics, Code of Business Conduct &amp; Ethics, Whistleblowing Policy, the Boardroom Diversity Policy and excerpts of the following policies are available on the Company's website at <a href="http://www.pcb.my">www.pcb.my</a>:</p> <p>           Directors' Assessment Policy            Succession Planning Policy            Insider Dealing Policy            Board Remuneration Policy            Investor Relations Policy            Related Party Transaction Policy         </p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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

**Practice 4.1**

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

Application	:	Applied	
Explanation on application of the practice	:	The current Board composition of Paramount reflects diversity in expertise and provides objectivity in the Board's decision-making process. The wealth of experience of the Board members in finance, banking, property development, legal, marketing, information technology (IT) and management allows for effective oversight of the Group's businesses based on diverse perspectives and insights, and the composition of 78% INEDs provides independent judgement to the Board's decisions. The profiles of the current Board members are set out on pages 72 to 80 of the 2018 Annual Report.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### 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>	:	Two directors, namely Dato' Rohana Tan Sri Mahmood and Datuk Seri Michael Yam Kong Choy, have served as INEDs for more than nine years, and one director, namely Mr Quah Chek Tin, has served as an INED for more than 12 years. The Board will be seeking shareholders approval at the forthcoming Forty-Ninth ( <b>49<sup>th</sup></b> ) AGM for Dato' Rohana Tan Sri Mahmood and Datuk Seri Michael Yam Kong Choy to remain in office as INEDs for another year. Mr Quah Chek Tin, who is subject to retirement by rotation at the 49 <sup>th</sup> AGM, will not be seeking re-election as a Director of the Company at the said AGM. The Nominating Committee has assessed the independence of Dato' Rohana Tan Sri Mahmood and Datuk Seri Michael Yam Kong Choy based on the Declaration of Independence made by them as at the end of 2018 and the rating of more than 4.47 points (from a scale of 1 to 5) received by these two directors for 'taking strong constructive stands at Board or Board Committee meetings' in the 2018 Directors' Self and Peer Assessment exercise. The Nominating Committee, being satisfied with the outcome of this assessment, concluded that the independence of Dato' Rohana Tan Sri Mahmood and Datuk Seri Michael Yam Kong Choy has not been impaired, and it has recommended that these two Directors be allowed to continue in office as INEDs up to the 50 <sup>th</sup> AGM of the Company in 2020.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

<b>Application</b>	:	Not Adopted
<b>Explanation on 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 Paramount Group adheres to the practice of non-discrimination with regard to gender, and ensures that the selection of a candidate for directorship or employment is based on merit, in the context of skills and experience. The Board has also set a target of having 30% women representation in its composition by 2020, and currently, Paramount has two or 22% women directors on the Board. Out of the Group's current total workforce of 2,758 employees, women constitute approximately 69.47%, and 28.57% of the Group's senior management team comprises women employees, holding positions as heads of divisions/strategic business units (<b>SBU</b>) and corporate functions.</p> <p>The Nominating Committee is entrusted with the role of identifying, assessing and nominating candidates to fill Board vacancies as and when they arise and for succession planning.</p> <p>The Nominating Committee's recommendations are generally based on its assessment of the expertise, skills and attributes of the current Board members and the needs of the Board taking into account the diversity approaches set out in the Boardroom Diversity Policy, the Group's future business direction, the tenure of service, contribution and commitment of each Board member whilst supporting healthy Board rejuvenation.</p> <p>In assessing and selecting new directors, attributes such as character, integrity, competence, experience and a commitment to serve the Company with diligence are highly regarded by the Board and the Nominating Committee. For the position of Executive Director, further consideration will be given to the candidate's skills, knowledge and expertise whilst an INED will be evaluated based on the 'independent' test as stipulated in the MMLR of Bursa Securities and the candidate's ability to discharge such responsibilities as are expected of an Independent Director. In making its recommendations to the Board, the Nominating Committee will also assess the Board structure, as a whole, to ensure that the necessary skill sets are relevant to the Group's strategic direction.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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

### Intended Outcome

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

### Practice 4.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Paramount Group adheres to the practice of non-discrimination with regard to gender, and ensures that the selection of a candidate for directorship or employment is based on merit, in the context of skills and experience. The Board has also set a target of having 30% women representation in its composition by 2020, and currently, Paramount has two or 22% women directors on the Board. Out of the Group's current total workforce of 2,758 employees, women constitute approximately 69.47%, and 28.57% of the Group's senior management team comprises women employees, holding positions as heads of divisions/SBUs and corporate functions.
<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 4.6

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>	:	The Nominating Committee leverages on the Directors' wide network of professional and business contacts as the primary source for Board candidacies, and would refer to external consultants if this source has been exhausted. The Board feels that the existing Directors who were industry leaders in their respective fields are able to identify suitably qualified candidates for the Board. Nevertheless, in the year under review, the Nominating Committee had, in its review of the mix of skills of the Board, noted that the infusion of IT skills into the Board had become a necessity in view of the wide usage of IT systems in the Group's business processes and the prevalent risk of cyber security threats. Hence, advice was sought from a talent consultant that specialises in the sourcing of IT talents to identify suitable candidates for the Nominating Committee's review, and through this process, Puan Fatimah Merican was selected for nomination to the Board in view of her strong IT background and 37 years of experience in this field.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Currently, the Nominating Committee comprises exclusively INEDs, namely Datuk Seri Yam Kong Choy who is the Senior INED (as Chairman), Mr Ong Keng Siew and Tan Sri James Foong Cheng Yuen.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 5.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Directors undertook their annual Directors' Self and Peer Assessment exercise in November 2018, and the results were reviewed by the Nominating Committee in January 2019. The assessment was based on the performance of each of the Directors, the Board as a whole, the four Board Committees, the Chairman and the Group CEO. The criteria used in the assessment of the Board included the adequacy of the Board structure, the efficiency and integrity of the Board's operations and the effectiveness of the Board in the discharge of its duties and responsibilities. These criteria were similarly applied to the assessment of the Board Committees. The individual Directors were assessed based on their competence, capability, commitment, objectivity, participation in Board deliberations and their contribution to the objectives of the Board and the Board Committees on which they serve. The Chairman was assessed based on his leadership role and his impartiality in overseeing the deliberation and decision-making process of the Board whilst the assessment of the Group CEO was co-related to the execution of the Group's strategic plans by management and the achievement of performance targets set by the Board. In addition to this assessment, all INEDs were required to sign a Declaration of Independence to re-confirm their status of independence. All Directors, the Board, the Board Committees, the Chairman and the Group CEO attained above average ratings of between 4.33 and 4.60 points (based on a scale of 1 to 5) in the 2018 Directors' Self and Peer Assessment exercise.
<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 has, since 2014, adopted a Board Remuneration Policy that sets out the manner in which the remuneration of Directors are determined, which policy is reviewed by the Remuneration Committee and the Board once in every three years. The total remuneration, comprising salaries, bonuses and benefits of Executive Directors and senior management are reviewed annually by the Remuneration Committee based on the guidelines set out in the Board Remuneration Policy. Salaries are benchmarked against equivalent market salaries for companies with similar turnover and market capitalisation. Salary increments to the two Executive Directors and the top eight senior management personnel for FY2018 were determined by the Remuneration Committee after consideration of the Group's performance for the year, prevailing market conditions, the employee's performance, level of responsibility and contributions to the Group's performance, and taking into account the need to align the remuneration structure of all key employees to the long-term objectives of the Group.</p> <p>The Group's annual bonus scheme is designed to encourage and reward Executive Directors and employees for their achievement and betterment of challenging financial and business targets, set in the annual budget adopted by the Board at the beginning of each financial year. Bonuses are not contractual and are paid on the basis of the Group's performance and employee's contribution to that performance during the preceding year. In addition, senior management personnel and employees with line of sight contribution to the Group's financial performance are eligible to participate in the Company's LTIP based on a set of eligibility criteria determined by the Remuneration Committee.</p> <p>All Directors are entitled to Directors' fees, which are benchmarked against fees paid by comparable public listed companies in Malaysia, and revised once in every three years. In consideration that the Directors' fees were revised in 2017, there will not be any increase in Directors' fees for FY2018.</p> <p>The Board Charter, Directors' Code of Ethics, Code of Business Conduct &amp; Ethics, Whistleblowing Policy, the Boardroom Diversity Policy and excerpts of the following policies are available on the Company's website at <a href="http://www.pcb.my">www.pcb.my</a>:</p>



	Directors' Assessment Policy Succession Planning Policy Insider Dealing Policy Board Remuneration Policy Investor Relations Policy Related Party Transaction Policy	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

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

### Practice 6.2

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The primary function of the Remuneration Committee is to assess and recommend to the Board the remuneration packages of Executive Directors, including the Group CEO, and senior management personnel to ensure that their remuneration commensurate with their responsibilities and contribution to the Group's performance, and are adequate to retain these key personnel for the future growth of the Group. The Remuneration Committee also recommends to the Board the policy and framework for determining Directors' fees and benefits, and has, since March 2015, assumed the role as the committee to implement and administer the Company's LTIP. The following activities were undertaken by the Remuneration Committee in FY2018:</p> <ul style="list-style-type: none"><li>• Reviewed bonus payments and salary increments to the Executive Directors, including the Group CEO</li><li>• Reviewed bonus payments and salary increments to senior management personnel</li><li>• Reviewed Directors' fees and Board Committee fees</li><li>• Reviewed the award of Paramount shares under the 2018 LTIP Grant and the vesting of Paramount shares pursuant to the 2015, 2016 and 2017 LTIP Grants</li><li>• Reviewed its Terms of Reference, and recommended updates to the Board for consideration</li><li>• Reviewed the Board Remuneration Policy, and recommended updates to the Board for consideration</li></ul> <p>The Terms of Reference of the Remuneration Committee is attached to the Board Charter that is published on the Company's website.</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

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 remuneration of the Company's Directors with breakdown according to fees, salary, bonus, benefits in-kind and other emoluments are disclosed on a named basis in the Company's annual report as follows:				
		<b>Salary RM</b>	<b>Bonus RM</b>	<b>Directors and Board Committee Fees RM</b>	<b>Benefits in kind RM</b>
	<b>COMPANY AND GROUP</b>				
	<b>Executive Directors</b>				
	Dato' Teo Chiang Quan	2,160,000.00	2,000,000.00	115,000.00	77,646.02
	Jeffrey Chew Sun Teong	1,477,500.00	1,083,500.00	70,000.00	127,200.00
	<b>COMPANY ONLY</b>				
	<b>Non-Executive Directors</b>				
	Dato' Rohana Tan Sri Mahmood	-	-	85,000.00	-
	Datuk Seri Michael Yam Kong Choy	-	-	95,000.00	-
	Ong Keng Siew	-	-	105,000.00	-
	Quah Chek Tin	-	-	110,000.00	-
	Tan Sri James Foong Cheng Yuen	-	-	92,890.41	-
	Quah Poh Keat	-	-	102,500.00	-
	Fatimah Merican <sup>(1)</sup>	-	-	42,616.44	-
	(1) Appointed to the Board on 2 July 2018				
	<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

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 salaries, bonuses and benefits in-kind of the Group's key senior management team are disclosed in the Company's 2018 Annual Report on an aggregate basis rather than named basis due to the commercial sensitivity of such information, as follows:				
			<b>Salary RM</b>	<b>Bonus RM</b>	<b>Directors and Board Committee Fees RM</b>	<b>Benefits in kind RM</b>
		<b>GROUP</b>				
		Key senior management (in aggregate but excluding the Group CEO)	2,137,666.15	1,125,460.00	-	134,400.00
<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>	:	The Audit Committee of Paramount comprises entirely INEDs, and is led by Mr Quah Poh Keat who is not a Chairman of the Board or any other Board Committees. This composition reinforces the independence of the Audit Committee.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	To further strengthen the independence of the Audit Committee, the Board has adopted MCCG 2017's recommendation of requiring a former key audit partner of the Company's external auditors to observe a cooling-off period of at least two years before being appointed to the Audit Committee, and hence, the Terms of Reference of the Audit Committee was updated in 2018 to formalise this decision.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee has adopted the following practices in the discharge of its duties:</p> <ul style="list-style-type: none"><li>• The Audit Committee discusses with the external auditors before the commencement of each audit, the scope of the audit, the areas of audit emphasis with reference to compliance with the applicable accounting standards in Malaysia, the resource capacity of the auditors, the terms of engagement of the auditors, and the proposed audit fees for the year. Upon conclusion of the audit, the Audit Committee meets with the external auditors together with management to review the Company's financial statements and to discuss the key audit matters highlighted by the auditors. Another two meetings are held in a year without the presence of executive Board members and management to discuss concerns that the external auditors may have arising from the audit. Significant concerns are communicated to management for remedial actions and highlighted to the Board for its attention.</li><li>• The Audit Committee conducts a yearly assessment of the suitability and independence of the external auditors, prior to the submission of any recommendation to the Board on the re-appointment of the auditors for the ensuing year. The suitability of the external auditors is conducted through a questionnaire with feedback from the Chief Financial Officer on the professional conduct, performance, skills, knowledge, experience, manpower strength, quality control in audit reviews and timeliness of the auditors in conducting the audit of the Group. In assessing the independence of the external auditors, a written confirmation is required from the external auditors on their independence and their assurance that no incidence of conflict of interest will arise from their provision of any non-audit services to the Group. The Audit Committee also considers whether the fees payable to the external auditors commensurate with the extent of the audit and non-audit services rendered to the Group.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee of Paramount comprises entirely INEDs, and is led by Mr Quah Poh Keat who is not a Chairman of the Board or any other Board Committees. This composition reinforces the independence of the Audit Committee.

## 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>A majority of the members of the Audit Committee, namely Mr Quah Poh Keat, Mr Quah Chek Tin and Mr Ong Keng Siew, are members of professional accounting bodies such as the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants, and the Association of Chartered Certified Accountants. Their qualifications and extensive experience in the area of financial reporting and the management of internal controls provide assurance to the Board that the committee is well equipped with the necessary expertise and skills to oversee the financial reporting processes of the Company and the internal control governance of the Group. In addition, the appointment of Puan Fatimah Merican, who has 37 years of working experience in the IT arena, provides diversity of views, particularly from a systems perspective, to strengthen the quality of deliberations at the Audit Committee meetings.</p> <p>The qualification and experience of the individual Audit Committee members are disclosed in the Board of Directors' Profile on pages 76 to 77, and 79 to 80 of the 2018 Annual Report.</p> <p>During the year under review, the members of the Audit Committee had attended the following training programmes to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules:</p> <p><b><u>Corporate Governance</u></b></p> <ul style="list-style-type: none"><li>• The Malaysian Code on Corporate Governance Roadshow 2018 by the Securities Commission Malaysia</li></ul> <p><b><u>Legal &amp; Regulatory Updates</u></b></p> <ul style="list-style-type: none"><li>• Mandatory Accreditation Programme for Directors of Public Listed Companies by Bursatra Sdn Bhd</li></ul> <p><b><u>Finance and Risk Management</u></b></p> <ul style="list-style-type: none"><li>• Malaysian Financial Reporting Standard (<b>MFRS</b>) made simple for Directors and Senior Management by Bursatra Sdn Bhd</li></ul>

	<ul style="list-style-type: none"> <li>• Fiscal discipline in driving sustainable growth at the PricewaterhouseCoopers Budget 2019 Seminar</li> <li>• Sales &amp; Services Tax 2018 by Mr Thanesh Kannaa</li> <li>• The 2019 Budget Proposals Seminar by Deloitte Tax Services Sdn Bhd</li> <li>• Technical Update Session 2018 by the Malaysian Institute of Accountants (MIA)</li> <li>• Overview of MFRS 9: Financial Instruments by KPMG</li> <li>• Managing Cyber Risks in Financial Institutions at the Bank Negara Malaysia-FIDE Forum Dialogue</li> </ul> <p><b><u>Leadership and Strategy Management</u></b></p> <ul style="list-style-type: none"> <li>• Business Valuation at the Security Industry Development Corporation Workshop Series</li> <li>• New Malaysia Summit by the International Strategy Institute</li> <li>• Sustainability Engagement Series for Directors/Chief Executive Officers by Bursa Securities</li> <li>• Road stabilisation technology for problematic areas by Dr Mahesa Bhawanin of Tensur Malaysia</li> <li>• Never ending improvement &amp; achievement by Mr Christian Adrianto of Motivasi Indonesia</li> <li>• The Director as Coach by Dr Marshall Goldsmith</li> <li>• DNA of a Board Leader at the 2<sup>nd</sup> Distinguished Board Leadership Series of FIDE</li> </ul> <p><b><u>Economic, Industry and Market Trends</u></b></p> <ul style="list-style-type: none"> <li>• Navigating the VUCA World by Professor Tan Sri Dato' Dr. Lin See Yan</li> <li>• Win the Innovation Race: Unlocking the Creative Power of Asians by Professor Roy Chua</li> <li>• IBM THINK Malaysia at a FIDE Forum</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

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>In 2015, the Group upgraded its risk management framework by adopting the ISO 31000:2009 Enterprise Risk Management methodology. The initial stage of the upgrade involved the formulation of a set of Risk Parameters and a Risk Appetite Statement that define Paramount's approach in mitigating the various risks that are inherent to the Group's businesses. Subsequently in 2017, Key Risk Indicators were introduced for better tracking of the effectiveness of control measures and risk management action plans that were identified and implemented by management.</p> <p>During the year under review, the Board, through the Board Risk Management Committee (<b>BRMC</b>), continued to monitor the Group's risk exposure, and was regularly updated on the implementation progress of the risk management action plans to mitigate those risks. The reporting process involves the monthly monitoring of the risk status by the risk owners in the SBUs, who submit their findings to the Executive Risk Management Committee (<b>ERMC</b>) for its review on a quarterly basis, which in turn, submits its report to the BRMC on a half-yearly basis.</p> <p>To further enhance the Group's system of internal controls, the Board has, upon the recommendation of the Audit Committee, upgraded the Group's internal control framework by adopting the methodologies prescribed in the COSO Internal Control Integrated framework. A steering committee, comprising members of the management team, led by the Group CEO and facilitated by the Head of IAD, was established in 2018 to evaluate the adequacy of the Group's existing internal control policies and procedures, and to identify areas that needed improvement under the new framework.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### Intended Outcome

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.

Application	:	Applied	
Explanation on application of the practice	:	The features of the Group's risk management and internal control framework, and the adequacy and effectiveness of the framework are disclosed in the Statement on Risk Management and Internal Control, on pages 103 to 108 of the 2018 Annual Report.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board has established a BRMC, which comprises a majority of independent directors, to oversee the Company's risk management framework and policies.</p> <p>The primary function of the BRMC is to assist the Board in fulfilling its duty to ensure that adequate measures are put in place to address and manage the principal risks of the Group. The following activities were undertaken by the BRMC in FY2018:</p> <ul style="list-style-type: none"><li>• Reviewed the Top Key Risks of the Group and monitored the effectiveness of the risk management action plans identified by the ERM</li><li>• Monitored the implementation progress of the Group's Business Continuity Management Plan drawn up by the ERM</li><li>• Reviewed its Terms of Reference, and recommended updates to the Board for consideration</li><li>• Reviewed the Company's Risk Appetite Statement and Risk Parameters that were approved and adopted by the Board in 2015, and recommended updates to the Board for consideration</li></ul>

### Intended Outcome

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

### Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee has direct and full access to the IAD to ensure effective oversight of the Company's internal audit function, which plays an important role in testing the integrity of the Group's internal control system. The Head of IAD is required to report directly to the Audit Committee, and the performance of IAD is evaluated by the committee annually. The Audit Committee also reviews the internal audit plans and determines the budget for the internal audit function to ensure that IAD has adequate and quality resources to execute its plans effectively.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

## 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>IAD is independent of operations and reports functionally to the Audit Committee and administratively to the Group CEO. IAD is headed by Mr Wong Ket Keong who is a Certified Internal Auditor of the Institute of Internal Auditors (USA), a member of the Malaysia Institute of Accountants, and a Fellow of the Association of Chartered Certified Accountants (UK).</p> <p>The primary responsibility of IAD is to provide reasonable assurances to the Audit Committee on the effectiveness of the governance, risk management and internal control processes within the Company and the Group.</p> <p>All internal audit activities of the Group are guided by the International Professional Practices Framework of Internal Auditing, the Internal Audit Charter as well as policies and procedures of the Group. An annual risk-based internal audit plan is presented by IAD to the Audit Committee for approval after having reviewed the adequacy of the scope, functions and resources of IAD as well as the competency of the internal auditors. IAD adopts a risk-based approach and prepares its plan based on the risk profiles of the auditable units in alignment with the strategic objectives of the Group.</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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company is committed to ongoing communication across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual and quarterly reports to Bursa Securities, the Company's AGM and timely dissemination of information on significant company developments and price sensitive information in accordance with the MMLR of Bursa Securities.</p> <p>Additionally, the Company holds scheduled investor relations (<b>IR</b>) briefings, coinciding with the release of the half-year and full-year results of the Group to Bursa Securities, to investment analysts and fund managers. Together with the quarterly reporting to Bursa Securities, the Company also attaches a slide presentation on the Group's quarterly and year-to-date performance for posting on Bursa Securities's website. In addition, a media briefing is held upon the conclusion of the Company's AGM for the benefit of potential investors as well as shareholders who are unable to attend the meeting. The Company also obliges the requests of analysts, fund managers and the media for company visits, briefings and interviews outside of the scheduled IR briefings.</p> <p>The presentation slides and press releases provided to analysts and the media at these briefings are available on the Company's website. The Company's website is constantly updated with information pertaining to the Group's business activities and corporate affairs for dissemination to all stakeholders in a timely manner.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable.	
		Paramount Corporation Berhad is not a “Large Company” as defined in the MCCG 2017.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	To be determined by the Board	
<b>Timeframe</b>	:	Others	To be decided later by the Board

**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.

Application	:	Applied	
Explanation on application of the practice	:	Based on the following, a notice of 28 clear days have been given to the Company's shareholders for the forthcoming Forty-Ninth (49 <sup>th</sup> ) AGM of the Company: <ul style="list-style-type: none"><li>• Date of the Notice of the 49<sup>th</sup> AGM: 30 April 2019</li><li>• Date of the 49<sup>th</sup> AGM: 29 May 2019</li></ul>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**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.

Application	:	Applied	
Explanation on application of the practice	:	All directors of the Company attended the Forty-Eighth AGM and Extraordinary General Meeting of the Company held on 30 May 2018.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		



### 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>	:	Not applicable.	
		Paramount Corporation Berhad is not a “Large Company” as defined in the MCCG 2017, and it has a low number of shareholders of below 5,000 as at the date of submission or publication of this report to Bursa Securities. All of its AGMs since listing in 1971 have been held in non-remote areas.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	To be determined by the Board	
<b>Timeframe</b>	:	Others	To be decided later by the Board

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

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

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