
Statement on Corporate Governance

The Board of Directors (the Board) strongly support the principles of corporate governance as embodied in the Malaysian Code on Corporate Governance 2012 (MCCG 2012). Towards this end, the Board takes every step to ensure that the principles of corporate governance and best practices are observed and practiced throughout Pharmaniaga Berhad Group (the Group).

The Board is pleased to set out below the Group report on the compliance with MCCG 2012 throughout the financial year ended 31 December 2016.

THE GROUP'S GOVERNANCE OVERVIEW

In ensuring good corporate governance policies and practices are well implemented within the Group, the Board sets overall strategy for the Group and supervises executive management. The Board acts with due diligence and in the best interests of the Group and its shareholders.

The Board delegates certain authority to the Audit Committee, Sustainability Committee, Nomination Committee and Remuneration Committee, all of which operate within defined terms of reference to assist the Board in the execution of its duties and responsibilities. The terms of reference of the Committees have been incorporated into the Board Charter, which is available for reference at the Company's website at www.pharmaniaga.com.

ESTABLISH CLEAR ROLE AND RESPONSIBILITIES

Clear Function of the Board and Management

There is clear division of functions between the Board and the Management to ensure that no one individual or group dominates the decision-making process.

The Board has the overall responsibility for good corporate governance, strategic directions and investments of the Group. Whereas, the Management is responsible for the implementation of management goals in accordance with the direction of and delegation by Board.

Clear Role and Responsibilities of the Board

The principal functions and responsibilities of the Board in discharging its fiduciary duties and leadership roles:

- Protecting and enhancing long-term shareholder value;
- Acting in consistent with the Directors' Code of Ethics;
- Reviewing and adopting a strategic plans, policies and directions for the Company;

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- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate internal control and systems to manage these risks;
- Establish succession plan for senior management and ensure that all candidates appointed to senior management positions are of sufficient calibre;
- Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board guided by the Board Charter, which is available for reference at the Company's website at www.pharmaniaga.com and which sets out the following responsibilities:

- Duties and Responsibilities of the Board;
- Directors' Code of Ethics;
- Composition and Board Balance;
- The role of Chairman and Managing Director;
- Appointments;
- Re-election;
- Supply of information;
- Separation of Power;
- Board Committees;
- Remuneration;
- Financial Reporting;
- General meetings;
- Investor relations and shareholder communication; and
- Relationship with other stakeholders (employees, environment, corporate responsibility).

The Board Charter is reviewed from time to time to ensure its reliability with the Board's objectives, current laws and practices. The present Board Charter was approved in 2013.

For the financial year ended 31 December 2016, the Board amongst others, carried out the following responsibilities:

- Reviewed the Circular to Shareholders in relation to recurrent related party transactions and on the proposal to establish the share issuance scheme, which were tabled to shareholders for approval;
- Reviewed and approved the quarterly financial results and the annual audited financial statements for the year ended 31 December 2016 and the release for announcement to Bursa Malaysia Securities Berhad (Bursa Securities);
- Approved interim dividends which were declared on a quarterly basis;
- Reviewed and approved the strategic Annual Business Plan and Budget;
- Oversaw the execution and conduct of the Group's business; and
- Reviewed the Nomination Committee's assessment of the Board and Board Committees, for the year under review.

The Board is further guided by its standard and approved Limits of Authority (LOA) which distinguishes between matters that are specifically reserved for the Board and those substitutes to the Managing Director for day-to-day operations of the Company. With this formal structure of delegation laid in the LOA, the Managing Director and senior management team remain responsible to the Board for the authority that is delegated.

Promoting Sustainability

The Board believes that doing business in a sustainable manner goes hand-in-hand with corporate responsibility and both are integral to generate and sustain short and long term value for its stakeholders. Details of the corporate sustainability programmes of the Group are presented in the Sustainability Report on pages 70 to 80 of this Annual Report.

Senior Independent Non-Executive Director

The Chairman of the Audit Committee, Nomination Committee and Remuneration Committee is also the Senior Independent Non-Executive Director, to whom concerns from the other Directors, public or investors may be conveyed. Inquiries or complaints about decisions or actions taken by the Group should be addressed to the Senior Independent Non-Executive Director via email to suffian.haron@pharmaniaga.com.

Access to Information, Qualified Company Secretary and Independent Professional Advice

The Board supported by the Company Secretary, who is qualified to hold the position under Section 235(2) of the Companies Act, 2016. The Company Secretary of the Group plays a role in guiding the Board on issues and updates relating to corporate compliance with the relevant laws, rules, procedures and the governance best practices.

The Company Secretary is responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving the Group, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

The Company Secretary also organises, attends Board meetings and ensures that all Directors receive timely, clear and concise information in advance prior to the scheduled meetings.

In furtherance of their duties, every member of the Board has full, unrestricted and timely access to senior management for information and clarification pertaining to the Company's business affairs. Further to this, the Board is also authorised to obtain independent professional advice on specific matters, if necessary, at the Company expense from time to time to enable the Board to discharge its function in the decision-making process.

Boardroom Diversity and Target

The Company is headed by a female Managing Director. Although the Board has not set a target for appointment of additional women directors, the Board acknowledges the importance of diversity in its association, including gender, ethnicity, age and endeavour to maintain the accurate constancy for effective functioning of the Board.

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STRENGTHEN COMPOSITION

Composition of the Board Committees

The Board is satisfied of its current composition which comprises a balanced skill sets, competency and experience in carrying out its function and responsibilities effectively.

The Board is assisted by the Board Committees in discharging its duties. The Board Committees are the Audit Committee, Sustainability Committee, Nomination Committee and Remuneration Committee. The Committees keep the Board up-to-date with the decisions and discussions made and would report on the recommendations made to the Board during the Board Meetings.

Audit Committee

The function of the Audit Committee and the number of meetings held during the financial year as well as the attendance record of each member are set out in the Audit Committee Report on pages 103 to 106 of this Annual Report.

Sustainability Committee

The Sustainability Committee was established on 28 December 2016 with the purpose of monitoring the implementation of sustainability-related policies, measures and actions in achieving the Company's sustainability milestones and goals. The members of the Sustainability Committee are:

Daniel Ebinesan (Chairman)
Mohd Suffian Haji Haron
Lieutenant General Dato'Seri Panglima Dr. Sulaiman Abdullah (Retired)

The first Sustainability Committee meeting was held on 21 February 2017.

Nomination Committee

The Board has established a Nomination Committee to assist the Board in ensuring the existence of the right mix of skills, knowledge, experience, qualities, gender, nationality and age that are relevant and contribute to the functioning of the Board. The members of this Committee comprises Non-Executive Directors, the majority of whom are independent. The Committee is chaired by an Independent Director who is not the Chairman of the Board. The information on the Committee's meeting and activities during the reporting period is as follows:

MEMBERS	MEETING ATTENDANCE
Mohd Suffian Haji Haron (Chairman)	1/1
Tan Sri Dato' Seri Lodin Wok Kamaruddin	1/1
Izzat Othman	1/1

The duties and functions of the Nomination Committee is in the Board Charter and is available for reference at the Company's website at www.pharmaniaga.com.

During the year, the Nomination Committee key activity was to discuss the assessment of the overall Board and its Committees' performance and effectiveness as a whole. The Committee also recommended for the Board to endorse the re-election and re-appointment of the relevant Directors at the forthcoming Annual General Meeting (AGM).

Remuneration Committee

The Remuneration Committee primary responsibilities is to structure and review the remuneration policy for executives of the Group, with the view to ensure that compensation and other benefits that enhances the Group's long term profitability and value.

The Remuneration Committee comprises three Non-Executive Directors with the majority of members are Independent Directors. Details of the Committee meetings in 2016 are as follows:

Members	Meeting Attendance
Mohd Suffian Haji Haron (Chairman)	2/2
Tan Sri Dato' Seri Lodin Wok Kamaruddin	2/2
Izzat Othman	2/2

The salient terms of reference of the Remuneration Committee is under the Board Charter and is available for reference at the Company's website at www.pharmaniaga.com.

During the financial year ended 31 December 2016, the Remuneration Committee key activities were deliberating and recommending to the Board on the bonus and salary increment for Managing Director and the Heads of Divisions as well as the salary increment rate and bonus rate for the employees of the Group.

Directors' Remuneration

The remuneration package for Managing Director and Heads of Divisions are subject to the approval of the Board. Meanwhile the fees payable to Directors are subject to yearly approval by the shareholders at the Company's Annual General Meeting. There was no change in the remuneration policies and practices during the financial year.

The Non-Executive members of the Board and Board Committees are paid meeting allowance for each meeting they attended. The level of remuneration reflects the expertise, experience and level of responsibilities undertaken by particular Non-Executive members concerned.

Further details of Directors' remuneration are set out below and in Notes 7 and 8 to the Financial Statements on pages 165 to 167 of this Annual Report.

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The appropriate Director's remuneration paid or payable or otherwise made available from the Company and its subsidiary companies for the financial year ended 31 December 2016 are presented in the table below:

a. Aggregate remuneration of Directors categorised into appropriate components:

i. Received from the Company

	Fees RM	Salaries RM	Bonus RM	Benefits-In- Kind RM	Other Emoluments* RM	Total RM
Executive Director	–	720,000	660,000	37,200	992,142	2,409,342
Non-Executive Directors	532,000	–	–	–	228,250	760,250

*Inclusive Option Plan and Long Term Incentive Plan expenses but excluding Option Plan expenses not yet exercised

ii. Received from the Group*

	Fees RM	Salaries RM	Bonus RM	Benefits-In- Kind RM	Other Emoluments RM	Total RM
Executive Director	30,000	–	–	–	3,000	33,000
Non-Executive Directors	114,000	–	–	–	60,300	174,300

*Excluding the Company

b) The remuneration paid to Directors of the Company for the financial year ended 31 December 2016, in bands of RM50,000 are tabulated as follows:

Remuneration Band	No. of Directors	
	Executive	Non-Executive
RM50,001 to RM100,000	–	1
RM100,001 to RM150,000	–	2
RM200,001 to RM250,000	–	1
RM350,001 to RM400,000	–	1
RM2,400,001 to RM2,450,000	1	–

*None of the Directors' remuneration falls within the RM150,001 to RM200,000, RM250,001 to RM350,000 and RM400,001 to RM2,400,000.

Currently there are no contracts of service between any Director and the Company or its subsidiaries, except for the Managing Director, Dato' Farshila Emran.

REINFORCE INDEPENDENCE

Assessment of Independent Directors

The Board recognises the importance of independence and objectivity in its decision-making process. The Nomination Committee has assessed the Independent Non-Executive Directors and is assured of the independence and objectivity of the said individual Board members. The Board as a whole is satisfied that independent Directors are professionals of high calibre, integrity and having in depth knowledge of the Group's business.

The Group also believes that the Directors should be independent and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

For the financial year ended 31 December 2016, none of the Independent Non-Executive Directors were involved in the operation of the Company, participated in any business dealings or were in any other relationships with the Company (other than in situations permitted by the applicable regulations).

Tenure of Independent Directors

The Board takes cognisance of the recommendation of the MCCG 2012 on limiting the tenure of Independent Non-Executive Directors to nine years of service. The Board aims to balance the qualities of familiarity and maintaining a Director's independence in discharging their duties and responsibilities. Currently, the tenure of all Directors on the Board have not exceeded nine years.

Separation of Positions of the Chairman and the Managing Director

The positions of the Chairman of the Board and the Managing Director are held by different individuals and their roles are clearly defined in the Board Charter.

The Chairman, Tan Sri Dato' Seri Lodin Wok Kamaruddin, leads the Board with a keen focus on governance and compliance. He is responsible for ensuring the Board's effectiveness and conduct, promoting constructive and respectful relations between Directors, and between the Board and management. He also ensures a smooth, open and constructive dialogue between the Board and the Company's shareholders.

Dato' Farshila Emran, the Managing Director, is responsible for the Group's day-to-day operations and implements the Board's decisions. The Managing Director together with the management team manages the business of the Group in accordance with the strategic plans, instructions and directions of the Board.

Composition of the Board

The mix of Directors on the Board is broadly balanced to reflect the interest of major shareholders, management and minority shareholders. There are six members on the Board of Directors, comprising three Independent Non-Executive Directors and two Non-Independent Non-Executive Directors whom one of them is the Chairman. The Executive Director is the Managing Director.

Directorship in other Public Listed Company

For the financial year ended 31 December 2016, none of Pharmaniaga Berhad's Directors serve in more than five public listed companies. The Managing Director of the Company also does not serve as a director on other listed companies.

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FOSTER COMMITMENT

Board Appointment and Time Commitments

The Directors are mindful of the importance of the time commitment and the expectation to attend to matters of the Group in general, including attendance at the meetings of the Board, Board Committees and other types of meeting. Meetings for the financial year are scheduled in advance for the Directors to plan accordingly.

The Board is aware of the importance of establishing formal and transparent procedures for the appointment of new Directors. The Nomination Committee is tasked to scrutinise the sourcing and nomination of suitable candidates with the right skills set, expertise and industry knowledge for appointment as Director in the Group.

As part of the good governance best practice, Directors will inform the Company Secretary immediately after accepting or resigning from the directorships in other companies.

- Re-appointment and Re-election of Directors

The Articles of Association of Pharmaniaga Berhad states that at every AGM of the Company, one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to one-third shall retire from the office. The Articles also provide that every Director including the Managing Director shall be subject to retirement at least once in every three years. At the forthcoming AGM, Lieutenant General Dato' Seri Panglima Dr. Sulaiman Abdullah (Retired) will retire by rotation. Being eligible he has offered himself for re-election.

At the 18th AGM of the Company held on 29 March 2016, Mohd Suffian bin Haji Haron and Daniel Ebinesan, both of whom are above the age of 70, were reappointed pursuant to Section 129 of the Companies Act, 1965 and their term of office will end at the conclusion of the 19th AGM. Both have offered themselves for re-appointment. Under the new Companies Act 2016 which came into force on 31 January 2017, there is no age limit for directors.

The Board is satisfied that the Directors, who are required to stand for re-election and re-appointment at the upcoming AGM, continue to demonstrate the necessary commitment to be fully effective members of the Board.

- Board Meetings

During the financial year ended 31 December 2016, there were five Board meetings held and the attendance at the Board meetings held is as follows:

Directors	Status of Directorship	Meetings Attendance
Tan Sri Dato' Seri Lodin Wok Kamaruddin	Non-Independent Non-Executive Chairman	5/5
Dato' Farshila Emran	Managing Director	5/5
Daniel Ebinesan	Non-Independent Non-Executive Director	5/5
Mohd Suffian Haji Haron	Senior Independent Non-Executive Director	5/5
Izzat Othman	Independent Non-Executive Director	5/5
Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)	Independent Non-Executive Director	5/5

The above meetings were held either in Diamond Room, Ground Floor, No.7, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor or at 28th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur. Relevant management personnel were invited to Board and Board Committee meetings to report and apprise on operations and other developments within their respective purview.

The Directors are furnished with the formal agenda for each Board meeting, together with detailed Board papers and supporting documents in advance for their review prior to the meeting dates. This is to ensure they have ample time to review and, if necessary, acquire further details for deliberation at the meeting.

Directors' Training

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities), all members of the Board have attended the required training programmes during the year under review. The Directors from time-to-time will attend the conferences, briefings and workshops to keep abreast with current developments as well as new statutory and regulatory requirements.

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Set out below are the training programmes attended by the Directors during the financial year 2016:

Director	Course Title	Date
Tan Sri Dato' Seri Lodin Wok Kamaruddin	SEACEN conference on Central Bank Cooperation and Mandates (The South East Asean Central Banks Research and Training Centre)	14 March 2016
	Global Emerging Markets Programme 2016 - Risk and Vulnerability of Global Markets: Reinforcing Resilience in Emerging Markets (Securities Commission)	15 March 2016
	Independent Directors Programme: "The Essence of Independence" (Bursa Malaysia and ICLIF)	28 March 2016
	Corporate Governance Breakfast Series with Directors "The Strategy, the Leadership, the Stakeholders and the Board" (Bursa Malaysia and Malaysian Directors Academy)	6 May 2016
	Half-Day Risk Management Workshop on Cyber Security and Fraud (Affin Holdings Berhad/IBM)	9 May 2016
	12th World Islamic Economic Forum - Decentralising Growth, Empowering Future Business (World Islamic Economic Forum Foundation)	2 August 2016
	Advocacy Sessions on Management Discussion & Analysis ("MD&A") for CEO and CFO of Listed Companies (Bursa Malaysia)	8 August 2016
	Half Day Talk On <ul style="list-style-type: none"> • Shariah Non-Compliance Risk And Its Impact to Islamic Banks • MFRS 9 - Financial Instruments And Key Audit Matters • Internal Capital Adequacy Assessment Process (ICAAP) (Affin Holdings Berhad) 	26 September 2016
	Half Day Talk On <ul style="list-style-type: none"> • Amendments to Listing Requirements of Bursa Malaysia Securities Berhad • Companies Act 2016 • Proposed Code of Corporate Governance 2016 • Policy Document on Corporate Governance by Bank Negara Malaysia (Affin Holdings Berhad) 	10 November 2016
	Corporate Governance Breakfast Series with Directors: "The Cybersecurity Threat and How Board Should Mitigate the Risks" (Bursa Malaysia and Malaysian Directors Academy)	18 November 2016
Dato' Farshila Emran	Commonwealth Association for Public Administration and Management (CAPAM) Biennial Conference 2016	18-20 August 2016
	Sector-Specific Sustainability Reporting Workshop for Practitioners	13 October 2016
	Workshop On Sustainability Reporting : Mapping Your Business For Risk Management	20 October 2016
	Empowering Women Series – for Women Leaders in Senior Management	9 November 2016
	Expectations on PLCs and Directors in Disclosure and Compliance Requirements Under the Listing Requirements	24 November 2016

Director	Course Title	Date
Daniel Ebinesan	Sustainability Reporting Briefing (by EY)	8 April 2016
	CFO Summit 2016 (Asian Strategy & Leadership Institute)	2 June 2016
	Khazanah Megatrends Forum 2016 (Khazanah Research Institute)	26 & 27 September 2016
	EY 2017 C-Suite Budget and Tax Briefing (EY)	26 October 2016
	EY Half Day Talk on: <ul style="list-style-type: none"> • Amendments to Listing Requirements of Bursa Malaysia Securities Berhad • Companies Act 2016 • Proposed Code of Corporate Governance 2016 • Policy Document on Corporate Governance by Bank Negara Malaysia 	10 November 2016
Mohd Suffian Hj Haron	National Issues on Directors Duties, Governance, Regulatory Updates & Current Issues 2016 organized by Federation of Public Listed Companies Berhad (FPLC)	26 & 27 January 2016
	FIDE FORUM: The New and Revised Auditor Reporting Standards: Implication to Financial Institutions	20 January 2016
	FIDE FORUM: An exclusive session for Directors: Subscribing FIDE Forum's Directors Register(DR) for your Board Candidates Selection	1 June 2016
	FIDE Forum: Effective Board Evaluation by Beverly Behan, LLC New York	25 July 2016
	LTAT: Seminar "Powertalk: What will distinguish the great Boards of Tomorrow" by Beverly Behan	25 July 2016
	FIDE Forum: Fintech	4 August 2016
	FIDE FORUM on: FIDE FORUM's DIRECTORS REGISTER- Identify the Right Board Taken	14 September 2016
	Half day talk on: <ul style="list-style-type: none"> • MFRS 9 – Financial Instruments • Key Audit Matters • Internal Capital Adequacy Assessment Process (ICAAP) • Shariah Non-Compliance Risk and its Impact to Islamic Banks 	26 September 2016
	Role of the Chairman & Independent Directors' Seminar	27 September 2016
	Half Day Talk on: <ul style="list-style-type: none"> • Amendments to Listing Requirements of Bursa Malaysia Securities Berhad • Companies Act 2016 • Proposed Code of Corporate Governance 2016 • Policy Document on Corporate Governance by Bank Negara Malaysia 	10 November 2016
	FIDE FORUM: Strategy to leverage Technology for Business Solutions on 14/11/2016	14 November 2016

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Director	Course Title	Date
Izzat Othman	Sustainability Engagement Series for Directors/Chief Executive Officer of Listed Issuers	1 June 2016
	Malaysian Corporate Law and Case Law on Directors' Powers and Shareholders' Rights: Get the Balance Right	6 October 2016
Lieutenant General Dato' Seri Panglima Dr Sulaiman Abdullah (Retired)	National Seminar on Director Duties, Governance, Regulatory Updates & Current Issues 2016	26 & 27 January 2016
	CG Breakfast Series: The Strategy, the Leadership, the Stakeholders and the Board	6 May 2016
	Sustainability Engagement Series for Directors/Chief Executive Officer of Listed Issuers	2 June 2016
	CG Breakfast Series: Cybersecurity Threat and How Board Should Mitigate the Risks	18 November 2016

UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

Compliance of Financial Statements with Applicable Reporting Standards

The Board is responsible and take due care for presenting a fair, balanced and comprehensible assessment on the Group's operations, performance and prospect before releasing its quarterly and annual financial statements to shareholders and general public.

The Board recognises that an effective Audit Committee is necessary in ensuring the Company's financial statements are reliable source of financial information. Therefore, the Audit Committee is entrusted with responsibilities to review the quarterly financial results and annual financial statements focusing on compliance with applicable accounting standards and policies as well as practices and other legal requirements.

The Board also acknowledges that its responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets as required by the Code. Information on the Group's Internal Control is presented in the Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia is set out on pages 95 to 102 of this Annual Report.

Independence of External Auditors

Through the Audit Committee, the Group has established a transparent and professional relationship with the External Auditors, Messrs. PricewaterhouseCoopers. The Audit Committee met the external auditors twice during the year under review without the present of Managing Director and management. This has allowed the Committee and external auditors to exchange independent views on matters that require the Committee's attention.

The Audit Committee reviews the re-appointment of external auditors and assess their performance on an annual basis. The review process covers the assessment of the independence of the external auditors and the evaluation of their performance, quality of work, non-audit services provided and timeliness of services deliverables.

RECOGNISE AND MANAGE RISKS

Sound Risk Management Framework

In recognising the importance of risk management and internal controls, the Company has established policies and framework for the oversight and management of material business risks and has adopted a formal Risk Management Policy. The Board provides strategic direction and formulates corporate policies to ensure the Group's resources and profitability are optimised. The Board also responsible for assessing the integrity of the Group's financial information and the adequacy and effectiveness of the Group's system of internal control and risk management processes.

The management is responsible to oversee and monitor the effectiveness of the risk management systems and is required to report to the Board. The Board has received, and will continue to receive periodic reports, summarising and assessing the risk impact and determining its risk mitigation and treatment measures.

Internal Audit Function

The Pharmaniaga Group's Internal Audit function is currently handled by the Boustead Holdings Berhad's Group Internal Audit, whereby the Head of Internal Audit reports directly to the Audit Committee who reviews and approves the annual audit plan.

Further details of the activities of the Internal Audit function are set out in the Audit Committee Report.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure

The Group observes the Corporate Disclosure Guide and the Listing Requirements issued by Bursa Securities. The Group also acknowledges the timely and equal dissemination of material information to the shareholders, investors and public at large.

Pharmaniaga Berhad announces its quarterly and full year results within the stipulated time frame. The financial statements and press releases including material and price sensitive information are circulated and publicly released through BURSALINK and FRESH by Securities Commission of Malaysia, on a timely basis to ensure effective distribution of information concerning to the Group.

Leveraging on Information Technology for Effective Dissemination of Information

The Group maintains a corporate website at www.pharmaniaga.com which provides information relating among others, annual reports, quarterly financial reports, corporate information, announcements and Board Charter. Shareholders and public can also direct their queries to the Chief Financial Officer, Norai'ni Mohamed Ali (Tel: +603-3342 9999, e-mail: noraini.ali@pharmaniaga.com) or to the Company Secretary, Tasneem Mohd Dahalan (Tel: +603-2141 9044, e-mail: tasneem.gsec@boustead.com.my) for Investor Relations related queries.

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STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encouraging Shareholder Participation at General Meetings

The Group recognises the need for an open and effective channel of communication with its shareholders and investors. The AGM is the main avenue for shareholders to express and communicate their concern on the Group business activities to the Board and senior management. Notice of the AGM is sent to the shareholders at least 21 days ahead of the AGM date to encourage the shareholders to attend the AGM.

The Company values the comment of its shareholders. Positive dialogue between the Board and shareholders are encouraged whereby at the AGM, shareholders are given the chance to raise questions on issues pertaining to the Company's financial and operational performances. The Chairman will provide ample time for shareholder to enquire and to express their concern. The Chairman as well as the Managing Director will response to the queries and will clarify the matter brought up during the AGM.

Poll Voting at General Meetings

In line with the revised Listing Requirements of Bursa Securities, all resolutions put to general meetings will be voted by poll. An independent scrutineer will be appointed to validate the votes cast at general meetings. The outcome of the resolutions will be announced to Bursa Securities on the same day of the meeting.

Communication and Engagement with Shareholders

In addition to shareholder involvement during the AGM, the Board also encourages other channel of communication with shareholders. The shareholder may convey their concerns relating to the Group to the Senior Independent Non-Executive Director, Encik Mohd Suffian bin Haji Haron at suffian.haron@pharmaniaga.com.

STATEMENT OF COMPLIANCE WITH THE REQUIREMENTS OF BURSA MALAYSIA IN RELATION TO APPLICATION OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012

(Pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Securities)

The Board has complied with the Principles and Recommendations of the MCCG 2012 in the manner set out above, with exception to Recommendation 3.5 which mentions, that where the Chairman of the Board is not an Independent Director, the Board must comprise a majority of Independent Directors. Presently Company's Chairman is not an Independent Director, and there are three Independent Directors out of six Board members.

The Board believes that the interests of the Company is best served by a Chairman who is sanctioned by the shareholders and who will act in the best interest of shareholders as a whole. As the Chairman represents a shareholder with substantial equity stake in the Company, he is well placed to act on behalf of shareholders and in their best interests. The Board will continuously evaluate suitable candidates for Independent Directors to form a majority of the Board. However, such process would be executed with due care and careful assessment to ensure a meaningful contribution to the effectiveness of the Board as a whole.

This statement has been approved by the Board of Pharmaniaga on 21 February 2017.