

Corporate governance statement

A. Introduction

PG p.l.c. was incorporated on 25 November 2016 and acquired control of the subsidiaries and associates that constitute the group's business on 10 March 2017. The company's equity was admitted to the Official List of the Malta Stock Exchange on 4 May 2017.

The company is accordingly required to submit a report on its corporate governance pursuant to Listing Rules 5.94 and 5.97 issued by the Listing Authority of the Malta Financial Services Authority, covering the financial year ended 30 April 2018.

Good corporate governance is the responsibility of the Board of Directors, and, in this respect, the board has carried out a review of the company's compliance with the Code of Principles of Good Corporate Governance (the Code) contained in Appendix 5.1 to Chapter 5 of the Listing Rules. It has taken measures for the company to comply with the requirements of the Code to the extent that this is considered appropriate and complementary to the size, nature and operations of PG p.l.c. Notwithstanding the fact that the adoption of the Code is not mandatory, the board has endorsed its principles and ensured their adoption, save as indicated hereunder in section C, entitled, 'Non-Compliance with the Code', where the Board discloses the instances where it has departed from the Code's recommendations.

B. Compliance with the Code

Principle 1: The Board

The board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. In terms of the Memorandum of Association of PG p.l.c., the affairs of the company are managed and administered by a board composed of up to seven (7) directors.

The board is in regular contact with the Chief Executive Officer, who is a board member, in order to ensure that it is in receipt of timely and appropriate information in relation to the business of the group and management performance. This enables the board to contribute effectively to the decision-making process, whilst at the same time exercising prudent and effective controls.

The board delegates specific responsibilities to the Audit Committee and to the RemNom Committee. Further detail in relation to the committees and the responsibilities of the board is found in Principles 4, 5 and 8 of this statement.

Principle 2: Chairman and Chief Executive

The Articles of Association of PG p.l.c. provide for the board to appoint a Chairman from amongst the directors. They also provide for the appointment of a Chief Executive Officer who serves, by virtue of his office, as a director of the company. Mr John Zarb and Mr Charles Borg were appointed Chairman and Chief Executive Officer respectively.

The Chairman is responsible to lead the board and set its agenda, ensure that the directors of the board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company, ensure effective communication with shareholders and encourage active engagement by all directors during board discussions.

Corporate governance statement - continued

B. Compliance with the Code - continued

The Chief Executive Officer leads the management team of the group. He reports regularly to the board on the business and affairs of the group and the commercial, economic and other challenges facing it. He is also responsible to ensure that all submissions made to the board are timely, give a true and correct picture of the issue or issues under consideration, and are of a professional standard suited to the subject matter concerned.

The Chief Executive Officer is supported by Mr Paul Gauci, the founder and major shareholder of the company, who serves as Executive Vice-Chairman. Mr Gauci also takes a leading role in the business development of the group and in identifying and developing opportunities for expansion.

The Chief Executive Officer chairs a Management Committee composed of the group's senior executives. The committee meets on a weekly basis to review the conduct of operations, to review and discuss monthly management accounts and to review and approve annual plans and budgets prior to their presentation to the board. The heads of the respective business areas are invited to attend the Management Committee and to answer any questions of the members of the committee.

The Deputy Chief Executive Officer, Mr Malcolm Camilleri, chairs a Purchasing Committee charged with assisting the Head Purchasing Officer in the operation of the group's purchasing activities and in negotiations with suppliers. The committee also exercises oversight on the group's relationships with its principal suppliers.

Principle 3: Composition of the Board

The composition of the company's Board of Directors was designed to attain a diverse mix of professional and business skills and backgrounds appropriate to the needs of the group; an appropriate balance between executive and non-executive directors; and the representation of the majority shareholder sufficient to attain continuity in leadership and an ongoing detailed awareness of the operations of the group, so as to ensure the proper exercise of the voting rights, and the associated responsibilities, that are pertinent to such shareholder.

The Board of Directors is composed of:

Non-executive directors

Mr John Zarb FCCA FIA CPA - Chairman
Dr Ramona Piscopo LL.M., LL.D
Mr William Spiteri Bailey FIA CPA
Mr Lawrence Zammit MA (Econ)

Executive directors

Mr Paul Gauci - Executive Vice-Chairman
Mr Charles Borg BA Banking & Finance, MA Financial Services, FCIB - Chief Executive Officer
Mrs Claire-Alexia Borg Gauci.

Corporate governance statement - continued

B. Compliance with the Code - continued

All the non-executive directors are considered as independent and they are free from any business or other relationship with the company which could interfere materially with the exercise of their independent and impartial judgment.

Nominations for the appointment of directors must be approved by the Nominations Committee, which is empowered by the Articles of Association of the company to reject any recommendation made if, in its considered opinion, the proposed appointment could be detrimental to the company's interests or if such person is not considered as fit and proper to occupy that position. The Nominations Committee is also empowered on its own initiative to take steps to ensure that the board remains constituted by a diverse mix of professional and business skills and backgrounds appropriate to the needs of the group.

Additional information in relation to the appointment and rotation of directors is included under 'Additional information pursuant to Listing Rule 5.64' in the Directors' report.

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The board meets regularly, usually on a monthly basis in addition to other occasions as may be needed from time to time. Individual directors, apart from attendance at formal board meetings, participate in other ad hoc meetings during the year as may be required, and are also active in board sub-committees as mentioned further below.

During the financial year ended 30 April 2018, twelve (12) board meetings were held. Attendance at these meetings was as follows:

<i>Board member</i>	<i>Meetings attended</i>
Mr John Zarb	12
Mr Paul Gauci	11
Mr Charles Borg	11
Mrs Claire-Alexia Borg Gauci	8
Dr Ramona Piscopo	12
Mr William Spiteri Bailey	10
Mr Lawrence Zammit	12

Corporate governance statement - continued

B. Compliance with the Code - continued

The board is entrusted with the overall direction, administration and management of the group. The board, in fulfilling this mandate, assumes responsibility for the following:

- reviewing and approving the business plan and budgets that are submitted by management, and working with management in the implementation of the business plan;
- identifying the principal business risks for the group and overseeing the implementation and monitoring of appropriate risk management systems;
- ensuring that effective internal control and management information systems for the group are in place;
- assessing the performance of the group's executive officers, including monitoring the establishment of appropriate systems for succession planning, and for approving the compensation levels of such executive officers; and
- ensuring that the group has in place a policy to enable it to communicate effectively with shareholders, other stakeholders and the public generally.

The board regularly reviews and approves various management reports as well as annual financial plans, including capital budgets. The strategy, processes and policies adopted for implementation are regularly reviewed by the board.

Principle 6: Information and Professional Development

The directors were made familiar with the key provisions of the company's Memorandum and Articles of Association and its overall objectives before the company was formed, as part of the process of seeking their consent to their proposed appointment. The incorporation of the company was followed by a process whereby the non-executive directors were introduced in more detail to the group's business and its plans, and to its senior management team.

The recruitment and selection of senior management is the responsibility of the Chief Executive Officer in consultation with the board. Likewise, the Chief Executive Officer consults with the board on matters relating to succession planning for senior management within the company. The board considers and discusses succession planning measures at all senior management levels taking into account the size and depth of the management team of the company. The board, acting through the RemNom Committee, is also responsible for ensuring the ongoing training and development of the group's management team.

The directors have access to the advice and services of the Company Secretary, Dr Emma Grech, who is responsible for ensuring that board procedures are adhered to. Additionally, directors may seek independent professional advice on any matter at the company's expense.

Principle 7: Evaluation of the board's Performance

The board has carried out an evaluation of its own performance together with that of the Committees, the chairman, the individual directors and the Chief Executive Officer. This evaluation was made under the direction of the chairman of the RemNom Committee, Mr John Zarb. The evaluation exercise was conducted through a questionnaire completed by the individual directors and submitted to Mr Zarb.

Corporate governance statement - continued

B. Compliance with the Code - continued

Principle 8: Committees

The directors have constituted the following board committees, the terms of reference of which are determined by the board from time to time with the purpose of fulfilling the below mentioned purposes:

Audit Committee

The Audit Committee is composed of Mr William Spiteri Bailey (Chairman), Mr John Zarb and Dr Ramona Piscopo, all occupying an independent non-executive director role within the company. In light of their qualifications as well as their valuable experience, Mr William Spiteri Bailey and Mr John Zarb are the Audit Committee members who are considered to be competent in accounting and/or auditing in terms of the Listing Rules.

The committee is responsible for reviewing the financial reporting processes and policies, the system of internal control and management of financial risk, the audit process, any transactions with related parties and the company's process for monitoring compliance with laws and regulations. When the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the board on the action needed to address the issue or make improvements.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the group. Its primary objective is to assist the board in dealing with issues of risk, control and governance and in reviewing the group's reporting processes, financial policies and internal control structure. The Audit Committee also oversees the conduct of the external audit and facilitates communication between the board, management and external auditors.

The Audit Committee is a committee appointed by the board and is directly responsible and accountable to the board. Its main role and responsibilities are:

- (a) to review procedures and assess the effectiveness of the internal control systems, including financial reporting;
- (b) to assist the board in monitoring the integrity of the financial statements, the internal control structures, the financial reporting processes and financial policies of the company;
- (c) to make recommendations to the board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor following appointment by the shareholders in general meeting;
- (d) to monitor and review the external audit functions, including the external auditor's independence, objectivity and effectiveness;
- (e) to establish internal procedures and to monitor these on a regular basis;
- (f) to establish and maintain access between the internal and external auditors of the company and to ensure that this is open and constructive;

Corporate governance statement - continued

B. Compliance with the Code - continued

- (g) to review and challenge where necessary, the actions and judgements of management, in relation to the interim (if applicable) and annual financial statements before submission to the board, focusing particularly on:
- (i) critical accounting policies and practices and any changes in them;
 - (ii) decisions requiring a major element of judgement;
 - (iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - (iv) the clarity of disclosures and compliance with International Financial Reporting Standards;
 - (v) significant adjustments resulting from the audit;
 - (vi) compliance with stock exchange and other legal requirements; and
 - (vii) reviewing the company's statement on Corporate Governance prior to endorsement by the board;
- (h) to gain an understanding of whether significant internal control recommendations made by internal and external auditors have been implemented by management;
- (i) to establish and exercise oversight upon the internal audit function of the company, and to review its plans, activities, staffing and organisational structure;
- (j) to monitor the statutory audit of the annual and consolidated accounts;
- (k) to discuss company policies with respect to risk assessment and risk management, review contingent liabilities and risks that may be material to the company; and
- (l) to consider other matters that are within the general scope of the committee that are referred to it by the Board of Directors.

The Audit Committee met eight (8) times in the financial year ended 30 April 2018, and the attendance at these meetings was as follows:

<i>Committee member</i>	<i>Meetings attended</i>
Mr William Spiteri Bailey	8
Mr John Zarb	7
Dr Ramona Piscopo	8

RemNom Committee

In view of its size, the company has taken the view that whilst it considers the role and function of each of the remuneration committee and the nomination committee as important, it would be more efficient for these committees to be merged into one committee ("RemNom Committee") that would serve a dual role.

The RemNom Committee is composed of Mr John Zarb (Chairman), Mr Paul Gauci and Mr Lawrence Zammit. In its function as remuneration committee, the RemNom Committee is charged with the oversight of the remuneration policies implemented by the company with respect to its management and employees. Its objectives are those of deciding a remuneration policy aimed to attract, retain and motivate directors, whether executive or non-executive, as well as senior management with the right qualities and skills for the benefit of the company. It is responsible for making proposals to the board on the individual remuneration packages of directors and senior management and is entrusted with monitoring the level and structure of remuneration of the non-executive directors.

Corporate governance statement - continued

B. Compliance with the Code - continued

In its function as nomination committee, the RemNom Committee's task is to propose to the board candidates for the position of director, including persons considered to be independent in terms of the Listing Rules, whilst also taking into account any recommendation from shareholders. It is to periodically assess the structure, size, composition and performance of the board and make recommendations to the board regarding any changes, as well as consider issues related to succession planning. It is also entrusted with reviewing the board's policy for selection and appointment of senior management.

The RemNom Committee met twice during the financial year ended 30 April 2018 and these meetings were attended by Mr John Zarb, Mr Lawrence Zammit and by Mr Charles Borg as substitute for Mr Paul Gauci.

Remuneration of directors and senior management

The group was formed as a result of a restructuring exercise whereby, on 10 March 2017, PG p.l.c. acquired a number of entities which operated the two main business activities of the PG Holdings group of companies namely the supermarkets and associated retail operations and the franchise operations. The remuneration of the company's directors was established at the time in the following manner:

- (a) Continuity was assured in the salaries payable to executive directors after these were reviewed by the board and judged appropriate in the context of the responsibilities and experience of the individuals concerned.
- (b) The remuneration of the non-executive directors was set by reference to the time they are expected to dedicate, annually, to the affairs of the group, remunerated at a rate that recognizes the professional status and experience of the individuals concerned. The process was designed to attain transparency on the time input that directors are expected to dedicate annually to the group; at the same time creating a basis on which to determine future revisions should directors be required to dedicate more time to the group's affairs.

Mr Charles Borg and Mrs Claire-Alexia Borg Gauci participated in the annual bonuses approved by the RemNom Committee and paid by the group during the financial year. All other remuneration payable to directors is of a fixed nature.

No director has a contract with the company that contains provisions for termination payments and other payments linked to early termination.

Non-cash benefits for two executive directors include the use of a company car.

The maximum annual aggregate emoluments that may be paid to the directors as approved by the shareholders in terms of Article 22 of the company's Articles of Association is fixed at an aggregate sum of €750,000 per annum.

Corporate governance statement - continued

B. Compliance with the Code - continued

The following is an outline of the directors' remuneration for the financial year under review:

Directors' fees	€125,000
Directors' salaries	€414,000

Emoluments of directors and senior management

	Fixed remuneration	Annual Bonus	Share Options	Others
Directors	€519,000	€20,000	None	Non-cash benefits referred to above
Senior management	€356,000	€38,000	None	Non-cash benefits referred to above

Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders

The company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood.

The company will communicate effectively with shareholders by publishing its results on a six-monthly basis during the year, by way of half yearly and annual reports and financial statements, through Interim Directors' Statements, through periodical company announcements and through press releases in the local media to the market in general. The financial results will be made available on the company's website www.pggroup.com.mt.

Annual general meeting

Within seven months of the end of the financial year, the annual general meeting of the shareholders will be convened to consider the annual financial statements, the directors' and auditors' reports for the year, to decide on any dividends recommended by the board, to elect directors, appoint auditors and to set their remuneration. A presentation will be given to the shareholders present showing how the company operated in the light of prevailing economic and market conditions, and an assessment on future prospects will be given. The chairman arranges for all directors to attend the Annual General Meeting.

More information on general meetings of the company may be found in section E below.

Principle 11: Conflicts of Interest

Directors having conflicts of interest on any matters being discussed at board level are required to disclose the conflict in a timely manner to the board and the director so conflicted will not be allowed to vote on such matters.

None of the directors save Mr Paul Gauci have any shares in the company.

Any material transactions with related parties, which pose intrinsic potential conflicts of interests, require the approval of the Audit Committee, which is charged with ensuring that such transactions are necessary for the conduct of the company's business and are transacted on an arms' length basis.

Corporate governance statement - continued

B. Compliance with the Code - continued

As explained in the prospectus issued by the company on 27 March 2017, the group was re-organised in its current form to include, as far as practicable, all the businesses that are controlled by Mr Paul Gauci, and managed by his management team. This serves to reduce the scope for any future potential conflicts of interests involving the majority shareholder.

Principle 12: Corporate Social Responsibility

The Company recognises the importance of its role in the corporate social responsibility arena and seeks to ensure that in its operations the environment is respected. The directors are also aware of the importance of having good relations with stakeholders and strive to work together with them in order to invest in human capital, health and safety issues and to adopt environmentally responsible practices.

C. Non-compliance with the Code

Principle 9: Relations with Shareholders and with the Market (Code Provision 9.3)

There are no provisions in the company's Memorandum or Articles of Association as recommended in Code Provision 9.3 to resolve conflicts between minority shareholders and controlling shareholders. No such conflicts have arisen during the year under review.

Other than the above, and in the opinion of the board, the company has instituted governance procedures which shall ensure full compliance with the Code.

D. Internal Control and Risk Management in relation to the Financial Reporting Process

The board is ultimately responsible for the company's system of internal control and risk management and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable, as opposed to absolute assurance against material misstatement or loss.

The company operates through the Board of Directors and the management team with clear reporting lines and delegation of powers. The Board of Directors has adopted and implemented appropriate policies and procedures to manage risks and internal control. The board plans, controls and monitors business operations in order to achieve the set objectives.

The directors, with the assistance of management, are responsible for the identification, evaluation and management of the key risks to which the company may be exposed. The company has clear and consistent procedures in place for monitoring the system of internal financial controls. The directors also receive periodic management information giving comprehensive analysis of financial and business performance including variances against the company's set targets. This process is applicable specifically in relation to the company's financial reporting framework.

Through the Audit Committee, the board reviews the effectiveness of the company's system of internal controls, including financial reporting, which is also monitored by an Internal Audit team that was appointed in April 2017. The Audit Committee also determines whether significant internal control recommendations made by the internal and external auditors have been implemented.

Corporate governance statement - continued

E. General Meetings

The manner in which the general meeting is conducted is outlined in article 11 of the company's Articles of Association, subject to the provisions of the Maltese Companies Act, 1995.

As explained above under Principles 9 and 10, within seven months of the end of the financial year, the annual general meeting of the shareholders will be convened to consider the annual financial statements, the directors' and auditors' reports for the year, to decide on any dividends recommended by the board, to elect directors, appoint auditors and to set their remuneration. A presentation will be given to the shareholders present showing how the company operated in the light of prevailing economic and market conditions, and an assessment on future prospects will be given. The chairman arranges for all directors to attend the Annual General Meeting.

In addition, and in terms of article 11.3 of the Articles of Association of the company, the Board of Directors may convene an extraordinary general meeting whenever they think fit. If at any time there are not sufficient directors capable of acting to form a quorum for a meeting of the directors (being four (4) directors), any director, or any two shareholders holding at least ten per cent (10%) of the shares conferring a right to attend and vote at general meetings of the company, may convene an extraordinary general meeting in the same manner.

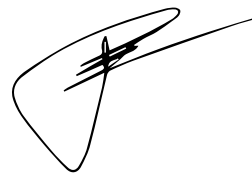
Adequate notice of general meetings must be given to shareholders as outlined in articles 11.4-11.6 of the company's Articles of Association.

All shareholders registered in the Shareholders' Register on the Record Date as defined in the Listing Rules have the right to attend, participate and vote in the general meeting. A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification to the Company.

Approved by the board of directors on 28 August 2018 and signed on its behalf by:



John Zarb
Chairman



Paul Gauci
Executive Vice-Chairman