

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.

Pursuant to the Listing Rules issued by the Listing Authority, the company should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Listing Rules (the "**Code**"). In terms of Listing Rule 5.94, the company hereby reports on the extent of its adoption of the principles of the Code covering the financial year ended 30 April 2019.

The company acknowledges that the Code does not prescribe mandatory rules, but recommends principles of good practice. However, the board strongly believes that such practices are generally in the best interests of the company and its shareholders, and that compliance with the principles of good corporate governance is not only expected by investors but also evidences the directors' and the company's commitment to a high standard of good governance.

Good corporate governance is the responsibility of the board of directors, and in this regard the board has carried out a review of the company's compliance with the Code for the financial period being reported upon.

B. General

The company's governance lies principally with its board of directors, which is responsible for the overall determination of the company's business strategies and policies. The company has adopted a corporate decision-making and supervisory structure that is tailored to suit its requirements and designed to ensure the existence of adequate controls and procedures within the company, whilst retaining an element of flexibility essential to allow the company to react promptly and efficiently to circumstances arising in respect of its business, taking into account its size and the economic conditions in which it operates. The directors are of the view that it has employed structures which are most suitable and complementary for the size and operations of the company. Accordingly, in general the directors believe that the company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of control in line with the company's requirements.

This corporate governance statement (the "**Statement**") sets out the structures and processes in place within the company and explains how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manners in which the directors believe that these have been adhered to. Where the company has not complied with any of the principles of the Code, this Statement will provide an explanation for non-compliance.

C. 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.

Corporate governance statement - continued

C. Compliance with the Code - continued

Principle 1: The Board - continued

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 statute of PG p.l.c. provides for the board to appoint a Chairman from amongst the directors. It also provides 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.

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 Management 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 Purchasing Committee also exercises oversight on the group's relationships with its principal suppliers.

Corporate governance statement - continued

C. Compliance with the Code - continued

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.

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.

Independence of Non-Executive Directors

In line with supporting principle 3 (iii) of main Principle 3, at least one third of the board consists of non-executive directors, and all the non-executive directors are considered as independent within the meaning of the Code. Indeed, none of the non-executive directors:

- (a) are or have been employed in any capacity by the company;
- (b) receive significant additional remuneration from the company;
- (c) have close family ties with any of the executive members of the board;
- (d) have been within the last three years an engagement partner or a member of the audit team of the present or past external auditor of the company; and
- (e) have a significant business relationship with the company.

In terms of Code Provision 3.4, each non-executive director has declared in writing to the board that he/she undertakes:

- (a) to maintain in all circumstances his/her independence of analysis, decision and action;
- (b) not to seek or accept any unreasonable advantages that could be considered as compromising his/her independence; and
- (c) to clearly express his/her opposition in the event that he/she finds that a decision of the board may harm the company.

Corporate governance statement - continued

C. Compliance with the Code - continued

Principle 3: Composition of the Board - continued

Appointment and Removal of Directors

Pursuant to generally accepted practices, as well as the company's Articles of Association, the appointment of directors to the board is reserved exclusively to the company's shareholders, except in so far as an appointment is made to fill a vacancy on the board, which may be filled by co-option, made by the board on the recommendation of the RemNom Committee.

The Articles of Association regulate the appointment of directors. Any one or more shareholders who in aggregate hold not less than €250,000 in nominal value of shares having voting rights in the company are entitled to recommend fit and proper persons for appointment as directors of the company, such nominations being subject to the approval of the RemNom 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. In addition, nominations may be made by the board or the RemNom Committee itself for consideration by the shareholders at the Annual General Meeting of the company. The RemNom 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.

Any director may be removed at any time by the ordinary resolution of the shareholders of the company in accordance with the Companies Act, in accordance with any other applicable law, or in the specific cases set out in the Articles of Association of the company.

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 committees as mentioned further below.

During the financial year ended 30 April 2019, 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	12
Mr Charles Borg	11
Mrs Claire-Alexia Borg Gauci	10
Dr Ramona Piscopo	12
Mr William Spiteri Bailey	11
Mr Lawrence Zammit	10

Corporate governance statement - continued

C. Compliance with the Code - continued

Principles 4 and 5: The Responsibilities of the Board and Board Meetings - 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. In addition, the strategy, processes and policies adopted for implementation are regularly reviewed by the board.

The Chairman ensures that all issues relevant to long-term strategic and short-term performance of the group are placed on the agenda of board meetings and, for the purpose of discussion thereon, are supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all directors every opportunity to contribute to the discussion.

Principle 6: Information and Professional Development

The recruitment and selection of senior management is the responsibility of the Chief Executive Officer acting 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 group.

The board, acting through the RemNom Committee, is also concerned with ensuring the ongoing professional 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 should they deem such necessary in order to discharge their responsibilities as directors at the company's expense.

Corporate governance statement - continued

C. Compliance with the Code - continued

Principle 7: Evaluation of the Board's Performance

The RemNom Committee has carried out an evaluation of the performance of the board and of the contribution made by the individual board members, and of their continued suitability (including, but not limited to, the two directors retiring by rotation at the next Annual General Meeting), and is of the view that over the period under review, all members of the board, individually and collectively, contributed to proceedings in line with the required levels of diligence and skill. In addition, the board believes that its current composition endows the board with a cross-section of skills and experience and achieves the appropriate balance required for it to function effectively.

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;

Corporate governance statement - continued

C. Compliance with the Code - continued

Principle 8: Committees - continued

Audit Committee - continued

- (f) to establish and maintain access between the internal and external auditors of the company and to ensure that this is open and constructive;
- (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 terms of reference of the Audit Committee, approved by the Board, are modelled on the recommendations of the Listing Rules.

The Audit Committee has met eight (8) times in the financial year ended 30 April 2019, and the attendance at these meetings was as follows:

<i>Committee member</i>	<i>Meetings attended</i>
Mr William Spiteri Bailey	7
Mr John Zarb	6
Dr Ramona Piscopo	8

Corporate governance statement - continued

C. Compliance with the Code - continued

Principle 8: Committees - continued

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 a single, '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.

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 once during the financial year ended 30 April 2019 and this meeting was attended by Mr John Zarb, Mr Lawrence Zammit and by Mr Paul Gauci.

Remuneration of directors and senior management

The remuneration of the company's directors and of the deputy chief executive officer is established in the following manner:

- (a) At the time of the initial public offering and of the listing of the company's shares, continuity was assured in the salaries payable to executive directors and of the deputy chief executive officer after these were reviewed by the board and judged appropriate in the context of the responsibilities and experience of the individuals concerned. These salaries were reflected in the business results and forecasts published by the group at the time.

Executive salaries are reviewed annually by the RemNom Committee to ensure that they remain commensurate with the performance of the individuals concerned and in line with the market.

- (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.

Corporate governance statement - continued

C. Compliance with the Code - continued

Principle 8: Committees - continued

Remuneration of directors and senior management - continued

Mr Charles Borg and Mr Malcolm Camilleri participated in the annual bonuses approved by the RemNom Committee and paid by the group during the financial year. These bonuses are discretionary in nature and are in the first instance determined annually by the chief executive officer and by the executive vice-chairman of the group, and are subsequently discussed and approved by the Remnom Committee. Annual bonuses are paid in cash and do not constitute a material part of the aggregate remuneration of directors.

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.

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

Directors' fees	€125,000
Directors' salaries	€429,000

Emoluments of directors and senior management

	Fixed remuneration	Annual Bonus	Share Options	Others
Directors	€523,200	€30,800	None	Non-cash benefits referred to above
Senior management	€378,000	€77,000	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 group's website www.pgggroup.com.mt.

Corporate governance statement - continued

C. Compliance with the Code - continued

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

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 group 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 F below.

Principle 11: Conflicts of Interest

It is the practice of the board that when a potential conflict of interest arises in connection with any transaction or other matter, the potential conflict of interest is declared so that steps may be taken to ensure that such items are appropriately addressed. By virtue of the company's Articles of Association, the directors are obliged to keep the board advised, on an ongoing basis, of any interest that could potentially conflict with that of the company. The board member concerned shall not take part in the assessment by the board as to whether a conflict of interest exists. A director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has material interest in accordance with the Articles of Association. The board believes that this is a procedure that achieves compliance with Principle 11. 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.

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.

Corporate governance statement - continued

D. Non-compliance with the Code

The directors set out below the Code provisions with which the company does not comply and an explanation as to the reasons for such non-compliance:

Principle 8: Committees (Code Provision 8.A.1.)

With respect to Code Provision 8.A.1. which sets out the composition requirements of remuneration committees, particularly that the Remuneration Committee must be composed of non-executive directors, the Board notes that the RemNom Committee is not composed in strict compliance with the Code, due to Mr Paul Gauci, an executive director, being a member of the RemNom Committee.

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

There are no formal procedures in place within the company for the resolution of conflicts between minority and controlling shareholders, nor do the company's Memorandum or Articles of Association as recommended in Code Provision 9.3 contemplate any mechanism for arbitration in these instances.

Principle 9: Relations with Shareholders and with the Market (Code Provision 9.4)

The company does not have a policy in place to allow minority shareholders to present an issue to the board. In practice, however, the open channel of communication between the company and minority shareholders via the office of the Company Secretary is such that any issue that may merit bringing to the attention of the board may be transmitted via the Company Secretary, who is in attendance at all meetings of the Board of Directors.

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.

E. Internal Control

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 group's set targets. This process is applicable specifically in relation to the group's financial reporting framework.

Corporate governance statement - continued

E. Internal Control - continued

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. The Audit Committee also analyses the internal audits reports prepared by the group's internal auditors and ensures that the recommendations therewith are adopted and implemented to further strengthen the company's processes and procedures. The Audit Committee also determines whether significant internal control recommendations made by the external auditors have been implemented.

F. 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 Companies Act.

As explained 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 if necessary, 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 29 August 2019 and signed on its behalf by:



John Zarb
Chairman



Paul Gauci
Executive Vice-Chairman