

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5015
COMPANY NAME : APM Automotive Holdings Berhad
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board sets the strategic direction of the Group and ensures effective leadership through oversight of Management and robust monitoring of the activities and performance in the organisation.</p> <p>All members of the Board are aware of their responsibility to make decisions objectively which promote the success of the Group for the benefits of shareholders and other stakeholders. The roles and responsibilities of the Board are clearly set out in the Board Charter, which serves as a reference point for Board activities. The Board Charter is available on the Company's website at www.apm.com.my.</p> <p>The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.</p> <p>To assist in the discharge of its stewardship role, the Board has delegated and conferred some of its authority and powers to its Committees, namely the Audit Committee and Nominating and Remuneration Committee (collectively "Board Committees"), to oversee specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.</p> <p>The Executive Team (as defined in the Board Charter) comprising the President (as the leader), Chief Executive Officer, Chief Operating Officer, Executive Vice President, Chief Business Development Officer and other Senior Management Personnel, is responsible to the Board in accordance with their respective roles, positions, functions and responsibilities which include, inter-alia, the achievement of the Company's goals and observance of Management authorities delegated by the Board,</p>

	<p>developing business plans which are aligned to the Company's requirements for growth, profitability and return on capital to be achieved, ensuring cost effectiveness in business operations, overseeing development of human capital and ensuring members of the Board have the information necessary to perform their fiduciary duties and other governance responsibilities.</p> <p>The Executive Team serves as a conduit between the rest of the Management and the Board and is responsible for the effective implementation of the strategic plans and policies of the Group established by the Board.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The role of the Chairman of the Board is clearly set out in the Board Charter. The key responsibilities of the Chairman, include:</p> <ul style="list-style-type: none"> • presiding at Board and shareholders meetings and ensuring the proceedings thereof comply with good conduct and practices; • leading the Board in establishing and monitoring good corporate governance practices in the Company; • consulting with the Board promptly over any matter that gives him cause for major concern; • managing Board communications and Board effectiveness, and the interface between board and management; • in conjunction with the Company Secretary(ies), determines the content of the agenda and the information to be supplied to the Board and ensuring that Board members receive complete and accurate information in a timely manner; • acting as facilitator at Board meetings and ensuring that no member, whether executive or otherwise, dominates discussion. The Chairman shall also encourage Board members to participate in discussions and that relevant opinions amongst members are forthcoming, resulting in logical and understandable outcomes and allowing dissenting views to be freely expressed; • providing leadership to the Board so that the Board can perform its responsibilities effectively; and • facilitating effective communication between the Board and the stakeholders.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company believes that a distinct separation of responsibilities between the Chairman and Chief Executive Officer will ensure an appropriate balance of power, increase accountability and greater capacity of the Board for independent decision making. The positions of the Chairman and the Chief Executive Officer of the Company are held by two different individuals.</p> <p>The Chairman of the Board is primarily responsible for the effectiveness and overall functioning of the Board. The role of the Chairman is stated in Practice 1.2. The Chief Executive Officer is responsible for managing and supervising the day-to-day business operations in accordance with the Group's strategies, policies and business plans approved by the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretary of APM is qualified to act as secretary under Section 235(2) of the Companies Act 2016.</p> <p>The roles and responsibilities of the Company Secretary include, but are not limited to the following:</p> <ul style="list-style-type: none"> • manage all Board and Committee meetings logistics, attend and record minutes of all Board and Committee meetings and facilitate Board communications; • advise the Board on its roles and responsibilities; • facilitate the orientation of new Directors and assist in Directors' training and development; • advise the Board on corporate disclosures and compliance with the relevant rules and regulations; • manage processes pertaining to the general meeting; • monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; and • serve as a focal point for stakeholders' communication and engagement on corporate governance issues. <p>The performance of the Company Secretary is evaluated by the Executive Directors of the Company. The Company Secretary is a member of good standing in her professional body. The Company Secretary constantly keeps herself abreast of the regulatory changes and developments in the corporate governance by attending relevant conferences and continuous professional development programmes.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance of each new financial year.</p> <p>The Directors are supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters for decisions to be made on an informed basis for an effective discharge of the Board's responsibilities.</p> <p>Procedures have been established for timely dissemination of the Board and Board Committee papers to all Directors at least seven (7) days prior to the Board and Board Committee meetings, to facilitate decision making by Directors and to deal with matters arising from such meetings. Senior Management of the Group and external advisers, where necessary, are invited to attend Board meetings to provide additional insights and professional views, advice and explanations on specific items on the meeting agenda.</p> <p>Deliberations and decisions made at the Board and Board Committees meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation. The minutes are then circulated to the Directors and Board Committees members for perusal. The minutes are confirmed as correct record by the Board and Board Committees at the following meeting.</p> <p>The Company Secretary will communicate to the relevant Management on the Board's decisions/recommendations for appropriate actions to be taken. Management will update the Board on the status of actions taken with reference to the previous minutes of meetings. Action items will remain as matters arising in the minutes of meetings until they are resolved or with a satisfactory solution.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is guided by its Board Charter which clearly sets out the Board's roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter, which is periodically reviewed by the Board to be in line with regulatory changes, was last reviewed and approved by the Board in February 2018.</p> <p>The updated version of the Board Charter is available on the Company's website at www.apm.com.my.</p> <p>The Charter provides guidance for Directors and Management regarding the roles and responsibilities of the Board, Board Chairman, Board Committees, Executive Directors, Non-Executive Director, Senior Independent Non-Executive Director, Board Committees and Company Secretary.</p> <p>To enhance accountability, the Board has established clear functions reserved for the Board, Board Committees, individual Directors and Management.</p> <p>There is a formal schedule of matters reserved to the Board for its deliberation and decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include, inter-alia, the approval of annual budgets, quarterly and annual financial statements for announcement, investment and divestiture, as well as monitoring of the Group's financial and operating performance.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

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

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has developed a Directors' Code of Ethics, which essentially sets out the standards of conduct expected from all Directors, including managing conflict of interest, preventing the abuse of power, proper use of company's assets, adherence to insider trading regulations and compliance with other laws, rules and regulations. The Directors' Code of Ethics is contained in Appendix A of the Board Charter, which is published on the Company's website at www.apm.com.my.</p> <p>To inculcate good ethical conduct, the Group has also developed and imposed Code of Conduct on its employees, which has been disseminated to all levels of employees in the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised a Special Complaint Policy, which is equivalent to whistle-blowing policy, which serves as an avenue to employees of the Group for raising concerns related to possible breach of business conduct, non-compliance of laws and regulatory requirements as well as other malpractices.</p> <p>Under the said Policy, a hotline is made available for employees to report any alleged or suspected fraud, corruption or non-compliance with the Code of Conduct for employees, governance documents and laws and regulations directly to the APM Group’s compliance officer. The team from the investigative functions is entrusted to commence investigations upon receiving a mandate from the APM Group’s compliance officer. All investigative reports are tabled to the Audit Committee for deliberation and decision on the next course of action to be taken.</p> <p>The said Policy is published on APM’s intranet.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Company's Constitution provides for the Board to consist of not more than ten (10) Directors. The Board currently consists of ten (10) members, comprising five (5) Executive Directors and five (5) Non-Executive Directors, of whom four (4) are Independent Non-Executive Directors.</p> <p>Based on the review of the Board composition in 2017, the Board, having reviewed its size and composition, is satisfied that its current size and composition is appropriate and adequate to meet the Company's needs. The Directors, with their diverse backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as entrepreneurship, engineering, finance, accounting, audit, legal, corporate governance and risk management as well as marketing and operations. The profile of each Director is set out in the Company's Annual Report.</p> <p>The Board is aware that its current composition is not in line with the desired practice of at least half of the Board comprises Independent Directors.</p> <p>The presence of four (4) Independent Directors in the Board of APM in substance carry weight in the Board decisions to ensure a long-term interest to the Company and its shareholders, employees, customers and other stakeholders. This is substantiated by their willingness to challenge Management with questions without fear, and debate constructively during the Board meetings to reinforce the check and balance in the Board's decision-making process.</p> <p>Therefore, the Board opines that the lack of at least half of Independent Directors in the current Board composition does not jeopardise the Board's independency in deliberations, and all decisions are made in the best interest of the Company.</p> <p>Nevertheless, the Board remains guided by the principles and practices of the Malaysian Code on Corporate Governance ("MCCG") in adhering to the best corporate governance practices.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Currently, there are two Independent Non-Executive Directors, namely Dato' N. Sadasivan s/o N.N. Pillay and Dato' Haji Kamaruddin @ Abas Bin Nordin, whose tenure are more than twelve (12) years.</p> <p>Following an assessment and recommendation by the Nominating and Remuneration Committee ("NRC"), the Board was of the opinion that the independence of the existing Independent Directors remain unimpaired and their judgement over business dealings of the Company were not influenced by the interest of the other Directors or substantial shareholders.</p> <p>Accordingly, the Board resolved to recommend the continuation of Dato' N. Sadasivan s/o N.N. Pillay and Dato' Haji Kamaruddin @ Abas Bin Nordin as Independent Non-Executive Directors for approval by shareholders at the forthcoming Annual General Meeting ("AGM").</p> <p>With the caliber, qualifications, experience and personal traits, particularly on integrity and objectivity, possessed by both Dato' N. Sadasivan s/o N.N. Pillay and Dato' Haji Kamaruddin @ Abas Bin Nordin, The Board believes that these two (2) Directors are well positioned to discharge their duties and responsibilities as Independent Non-Executive Directors towards meeting the Company's needs for the ensuing year, and they can continue to perform their duties without being subjected to undue influence. Key justifications for retaining them as Independent Non-Executive Directors are disclosed in the Notice of AGM of Annual Report 2017.</p> <p>Practice 4.2 of the MCGG states that if the Board continues to retain an Independent Non-Executive Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.</p>

	<p>The Board is guided by a legal opinion obtained from its legal counsel that the two-tier voting outlined in the MCGG is not compatible with the provision of Section 291 of the Companies Act, 2016. As there is only one class of ordinary shares in the Company, the right of the shareholders, including the right to vote, shall rank pari passu. This is irrespective of whether a shareholder is a "Large Shareholder" (as defined in the MCGG) or a shareholder other than such a "Large Shareholder". A resolution which is passed by a majority of shareholders must be regarded as having been validly passed as a matter of law irrespective of whether a majority of both the "Large Shareholder" and other shareholders had voted in favour of such a resolution as required under the MCGG.</p>	
	<p>Based on the legal opinion, the Board is of the view that the "two-tier voting process" is unworkable as a matter of law and that the only legally permissible way for shareholders of the Company to approve the continuance of Dato' N. Sadasivan s/o N.N. Pillay and Dato' Haji Kamaruddin @ Abas Bin Nordin as the Independent Non-Executive Director for the ensuing year is to pass an ordinary resolution to that effect.</p> <p>Accordingly, the Board will seek shareholders' approval at the forthcoming AGM for the continuation of office of Dato' N. Sadasivan s/o N.N. Pillay and Dato' Haji Kamaruddin @ Abas Bin Nordin as Independent Non-Executive Directors via the usual single-tier voting. This process allows shareholders to provide sounding to the Board on the Independent Non-Executive Directors who have served beyond the twelfth years.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		
<p>Timeframe :</p>		

Intended Outcome

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

Practice 4.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company recognises that a diverse Board can offer greater depth and breadth compared to non-diverse Board as well as diversity at Senior Management level will provide constructive debates, which lead to better decisions. It enables the discussion of the same ideas in differing ways and equips the Company to face challenges in an ever-changing environment.</p> <p>The appointment to the Board of APM is based on objective criteria, merit and with due regard for diversity. The criteria for the recruitment process and annual assessment of Directors are contained in the NRC's Terms of Reference which was last revised in February 2018 and published on the Company's website at www.apm.com.my.</p> <p>Similarly, the appointment of Senior Management is made with due regard for diversity in skills, experience, age, cultural background and gender. As at 31 December 2017, there are five (5) females hold the position of Senior Management in the Group, including the position of Group Chief Financial Officer.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised a Board Diversity Policy and such policy is contained in the Board Charter which is published on the Company's website at www.apm.com.my.</p> <p>In accordance with the Board Diversity Policy on gender, the Board shall comprise at least a female Director at any time. For the year under review, the Board has taken steps to pursue a female candidates based on meritocracy with optimum mix of skills, knowledge and experience to fill the Board positions. The Board remains committed to have at least one (1) female Director by end of 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

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

Application	:	Applied				
Explanation on application of the practice	:	<p>The Board has stipulated specific terms of reference for the NRC, which cover, inter-alia, assessing and recommending to the Board the candidature of Directors, appointment of Directors to Board Committees and training programs for the Board. In the nomination and election of new Director, the NRC carries out the requisite evaluation and assessment of the candidate’s ability to discharge his/her duty effectively, before making recommendation to the Board for approval. The NRC is guided by the following processes for the on-boarding of new Director:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; padding: 5px;"> Prospective candidates are recommended by Directors to fill casual vacancy or additional position </td> <td style="width: 25%; padding: 5px;"> The profiles of prospective candidates are reviewed by NRC, followed by interview with the candidates </td> <td style="width: 25%; padding: 5px;"> If assessment found to be suitable, NRC recommends for Board’s consideration and decision </td> <td style="width: 25%; padding: 5px;"> Board’s deliberation and decision </td> </tr> </table> <p><i>(Diagram A)</i></p> <p>In identifying candidates for appointment of Directors, the NRC does not solely rely on recommendations from existing Board members, Management or major shareholders. The Board also utilise independent sources to ensure that it is able to identify the most suitable candidates, for example, 30% Club and NIEW Women Directors Registry.</p>	Prospective candidates are recommended by Directors to fill casual vacancy or additional position 	The profiles of prospective candidates are reviewed by NRC, followed by interview with the candidates 	If assessment found to be suitable, NRC recommends for Board’s consideration and decision 	Board’s deliberation and decision
Prospective candidates are recommended by Directors to fill casual vacancy or additional position 	The profiles of prospective candidates are reviewed by NRC, followed by interview with the candidates 	If assessment found to be suitable, NRC recommends for Board’s consideration and decision 	Board’s deliberation and decision			
Explanation for departure	:					
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>						
Measure	:					
Timeframe	:					

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The NRC consist of entirely Independent Non-Executive Directors, and is chaired by Dato' N. Sadasivan s/o N.N. Pillay, the Senior Independent Director ("SID") of the Company.</p> <p>The specific responsibilities of the SID are as set out in the Board Charter, which is available on the Company's website.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board, through the NRC, carries out the performance evaluation to determine the effectiveness of the Board as a whole, Board Committees and individual director annually.</p> <p>An external consultant, KPMG Management & Risk Consulting Sdn Bhd, was engaged in 2013 to assist the NRC in the evaluation process. Subsequently, the assessment is conducted internally and facilitated by the Company Secretary.</p> <p>On 12 February 2018, the NRC met to review and assess the effectiveness of the Board as a whole, the Board Committees and performance of individual Directors, including the independence of the Independent Non-Executive Directors for the financial year ended 31 December 2017 based on a "self and peer" assessment approach. This approach took into consideration the mix of skills, experience, contribution, performance, competency, personality, integrity and time commitment of each Director to effectively discharge his role as part of the Board, Board Committees as well as a Director of the Company. The NRC also takes into account gender diversity in relation to the composition of the Board. In assessing the independence of Independent Non-Executive Directors for the financial year under review, the criteria set out in paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") were deployed.</p> <p>From the results of the assessment and based on the NRC's recommendation, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively. The Board has also recommended the re-election of the retiring Directors and the continuance of the Independent Non-Executive Directors who have served beyond 12 years, as the Company's Independent Non-Executive Directors for shareholders' approval at the forthcoming AGM.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The NRC is entrusted by the Board to review and recommend the policies and procedures on matters relating to the remuneration of the Board and Senior Management and making recommendations of the same to the Board for approval.</p> <p>Based on recommendation of the NRC, the Board has formalised a Remuneration Policy and Procedures for Directors and Senior Management on 28 February 2018. The said Policy is made available on the Company's website at www.apm.com.my.</p> <p>The Company will seek shareholders' approval in respect of the payment of Directors' fee and benefits payable to them at the forthcoming AGM to be held on 23 May 2018.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 6.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Nominating Committee which was formed in 2013 has expanded its functions to assist the Board in implementing policies and procedures on matters relating to the remuneration of Board and Senior Management. Hence, the Board has renamed the "Nominating Committee" to "Nominating and Remuneration Committee" in November 2017.</p> <p>The Terms and Reference of the NRC is contained in the Board Charter which publicly made available on the Company's website at www.apm.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	A detailed disclosure on named basis for the remuneration of each Director can be found under the Corporate Governance Overview Statement in the Company's Annual Report 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is of the view that the disclosure of Senior Management's remuneration on named basis with various remuneration components will not be in the best interest of the Group as it will give rise to recruitment and talent retention issues, and this may lead to the performing senior management personnel being lured away by the competitors. Hence, the Group may lose high calibre personnel who have been contributing to the Group's performance.</p> <p>The Board is cognisant that the future success of the Group is dependent on its ability to attract, motivate and retain the right talented employees. Therefore, the remuneration policies and procedures have been formalised and put in place to ensure that the remuneration of the senior management personnel are appropriately commensurate with their roles and responsibilities, level of skills, experience and performance in order to attract, retain and motivate them to contribute positively towards the Group's performance.</p> <p>The performance of Senior Management is evaluated on an annual basis and measured against the targets sets for the year. The Board will ensure that the remuneration for the Senior Management personnel is appropriately commensurate with their performance in order to attract, retain and motivate them to contribute positively to the Group's performance.</p> <p>The aggregated total remuneration of key management personnel of the Group for the financial year ended 31 December 2017 are disclosed in the Financial Report of the Company.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Audit Committee consists of four (4) members, all of whom are Independent Non-Executive Directors.</p> <p>The Chairman of the Audit Committee is Mr. Lee Min On, who is not the Chairman of the Board.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	Following the amendments to the Terms of Reference of the Audit Committee as approved by the Board on 28 February 2018, no former key audit partner of the external auditors of the Company shall be appointed as a member of the Committee unless he has ceased as the key audit partner for a period of at least 2 years. The said Terms of Reference is contained in the Board Charter which is publicly made available on the Company's website at www.apm.com.my .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application :	Applied
Explanation on application of the practice :	<p>An annual assessment of the competency and independence of the external auditors was conducted by the Audit Committee via a set of assessment questionnaire. In assessing the external auditors' performance and suitability, the Audit Committee considered, inter-alia, the independence, objectivity, professionalism, quality of services, sufficiency of resources and communication and interaction with the external auditors. Pertinent feedback from Management who interacted with the external auditors was obtained by the Audit Committee to augment its assessment of the external auditors. The Audit Committee received assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accounts.</p> <p>Based on the outcome of the annual assessment conducted in February 2018 on the external auditors' performance, technical competence and professional independence, the Audit Committee is satisfied with the external auditors' performance and recommended to the Board for the re-appointment of KPMG PLT as external auditors of the Company for the financial year ending 31 December 2018.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Audit Committee comprises the following members, all of whom are Independent Non-Executive Directors:</p> <p><u>Chairman</u> Lee Min On</p> <p><u>Members</u> Dato' N. Sadasivan s/o. N.N. Pillay Dato' Haji Kamaruddin @ Abas bin Nordin Lee Tatt Boon</p> <p>All the Independent Non-Executive Directors satisfied the independence test under the Main Market Listing Requirements of Bursa Securities.</p>

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	All the Audit Committee members are financially literate and carried out their duties in accordance with the Terms of Reference of the Audit Committee. The members of the Audit Committee have attended the relevant continuous professional development programmes to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Besides, there were also briefings by the external auditors and the Chief Financial Officer on the relevant updates pertaining to the financial reporting standards and the regulatory requirements from time to time during the Audit Committee meetings.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has implemented a comprehensive risk management framework and established a process for identifying, evaluating and monitoring significant risks faced by the Group in its operations comprising strategic, financial, operational and compliance risks as well as a system of internal control to mitigate such risks. This Enterprise Risk Management Framework that the Group has adopted is largely aligned with globally accepted risk management standards such as the ISO 31000 Risk Management - Principles and Guidelines.</p> <p>The system of risk management and internal control is reviewed on a periodic basis by the Board in terms of its continuing adequacy and operating effectiveness in all material aspects. The Audit Committee, which has been entrusted by the Board to oversee risk management and internal control activities, assists the Board in reviewing the adequacy and operating effectiveness of the system of risk management and internal control in the Group.</p> <p>The implementation and maintenance of the risk management process is carried out by the Group Risk Management and Sustainability Committee ("GRMSC"), assisted by subsidiaries' management who is tasked to manage business risks as well as develop, implement and monitor the system of internal control.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	<p>As risk management is an integral activity that undergirds the Group's business operations, the Group's Risk Management Framework includes, inter-alia, a methodical process to identify, evaluate, control, report and monitor business risks faced by the Group in its business operations. Individual business risks as identified are scored for their likelihood of occurrence and the impact thereof based on a '5 by 5' risk matrix deploying parameters established for each key business unit or function in the Group.</p> <p>The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated in terms of likelihood of their occurrence and the impact thereof – this feature essentially articulates the extent of risk the Group is prepared to take or seek in achieving its corporate objectives. The metrics used in quantifying the risks were based on risk parameters that considered appropriate to reflect the risk appetite of the Group.</p> <p>Whilst the GRMSC is tasked with the responsibility of creating risk-awareness amongst personnel in the Group and monitoring key risks faced in the Group's operations, the subsidiaries' Management is responsible for managing business risks, including developing, implementing and monitoring mitigating measures to manage such risks to acceptable levels. As part of its remit, the Internal Audit Department reviews the process on how risks are identified and evaluated by process owners, the progress of implementation of the subsidiaries' risks response plans and assesses the effectiveness of controls in managing the relevant risks. The results of the reviews are presented at GRMSC meetings for further deliberations as needed. In addition, the Internal Audit Department also provides training to subsidiaries upon request or where deemed necessary, to ensure that the established risk management process is carried out appropriately.</p> <p>Further details on how key risk areas were evaluated and the controls in place to manage those risks can be found under the Statement on Risk Management and Internal Control in the Company's Annual Report 2017.</p>
Explanation for departure	:	

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

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has established an in-house Systems and Internal Audit ("SIA") Department, which is independent of the activities it audits. The SIA Department, helmed by the Head of SIA, reports directly to the Audit Committee on the adequacy and operating effectiveness of the Group's system of internal controls from the perspectives of governance, risks and controls. All internal audits carried out are guided by the International Professional Practices Framework of the Institute of Internal Auditors, a globally recognised professional body for internal audit.</p> <p>The scope and extent of works carried out by the SIA Department are set out in the Statement on Risk Management and Internal Control Statement in the Company's Annual Report 2017.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	:	Applied	
Explanation on application of the practice	:	<p>None of the SIA personnel has any relationships or conflict of interest that could impair their objectivity and independence in conducting their internal audit functions.</p> <p>The SIA Department currently consists of 4 personnel and is headed by Mr. Chong Choon Ket, a Deputy General Manager. He is a Chartered Accountant of the Malaysian Institute of Accountants, a Fellow Member of Association of Chartered Certified Accountants and a Chartered Member of The Institute of Internal Auditors, Malaysia.</p> <p>The internal audit function is independent of the activities it audits and carries out its work in accordance with the International Professional Practices Framework of the Institute of Internal Auditors, enshrined in the Internal Audit Charter.</p> <p>The Head of SIA had in February 2018 confirmed the internal audit independence to the Audit Committee, where he had signed the annual declaration that he and his team were and had been free from any relationship or conflicts of interest which could impair their objectivity and independence.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised and adopted the corporate disclosure policies and procedures with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws.</p> <p>The various channels of communications with shareholders are through the quarterly announcements on financial results to Bursa Securities, relevant announcements and circulars, as needed by the Listing Requirements of Bursa Securities, the Annual and/or Extraordinary General Meetings and through the Group's website at www.apm.com.my where shareholders and other stakeholders can access corporate information, annual reports, press releases, financial information and Company's announcements. To maintain a high level of transparency and to effectively address any issues or concerns, the Group has a dedicated electronic mail, i.e. apmah@apm.com.my to which stakeholders can direct their queries or concerns.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company does not fall under the category of "Large Companies" as defined in the Malaysian Code on Corporate Governance for the time being. Hence, such requirement is not applicable.
		Not applicable.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>In 2017, the Notice of 20th AGM was sent to the shareholders 26 days before the AGM, in advance of the 21 days requirement under the Company's Constitution, the Companies Act, 2016 and the Listing Requirements, which provided additional time to the shareholders to allow them to make the necessary arrangements to attend and participate in person or by corporate representatives or proxies, and consider the resolutions that were to be discussed and decided at the last AGM.</p> <p>Nevertheless, the Board recognises the practices of the MCGG to serve notice for AGM at least 28 days prior to the meeting and has adopted this practice from this year onwards.</p> <p>The Notice for the forthcoming 21st AGM was served to the shareholders 28 days before the meeting.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors, including the members of the Board Committees, attended and participated at the Company's 20th Annual General Meeting held on 24 May 2017.</p> <p>The present of all Directors presented opportunities for the shareholders to engage with each Director and also allowed the shareholders to raise any questions and concerns directly to the Directors.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The AGMs of the Company are always held in Kuala Lumpur and at place accessible by shareholders.
	:	The Company has 5,563 shareholders based on the Record of Depositors as at 30 March 2018, and the number of holders is not large enough to warrant the use of technology to facilitate remote shareholders or voting in absentia at this stage. Shareholders are allowed to appoint any person(s) as their proxies to attend participate, speak and vote in his stead at a general meeting.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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

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

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