

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5015
COMPANY NAME : APM Automotive Holdings Berhad
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES 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 divestitures, 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</p>

	<p>encompass observance of Management authorities delegated by the Board, 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>	
<p>Explanation for departure</p>	<p>:</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>:</p>	
<p>Timeframe</p>	<p>:</p>	

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 Board is helmed by the President, Dato' Tan Heng Chew, who is also the Chairman of the Board. As provided in the Board Charter, the Chairman is responsible for, inter-alia, the following:</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), determining 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 stakeholders. <p>In discharging his leadership role as the Chairman, Dato' Tan ensures that the Board decisions taken are in the Company's best interest and reflect the Board's consensus.</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 1.3

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>As set out in the Board Charter, the Chairman of the Board is primarily responsible for the effectiveness and overall functioning of the Board, particularly those highlighted under Practice 1.2 while 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 Secretaries of APM are qualified to act as secretary under Section 235(2) of the Companies Act 2016.</p> <p>The roles and responsibilities of the Company Secretaries include, but are not limited to the following:</p> <ul style="list-style-type: none">• manage all Board and Board Committees meetings logistics, attend and record minutes of all Board and Board Committees 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 general meetings;• 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 Secretaries is evaluated by the Executive Directors of the Company. The Company Secretaries who are members of good standing in their professional bodies, i.e. Malaysian Institute of Accountants ("MIA") and The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") are required to meet the prescribed continuing professional education criteria of MIA and MAICSA respectively in order to be apprised of changing regulatory requirements.</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

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' 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 Committees papers to all Directors at least seven (7) days prior to the Board and Board Committees 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 Secretaries communicate to the relevant Management on the Board's decisions/recommendations for appropriate actions to be taken. Management updates the Board on the status of actions taken with reference to the previous minutes of meetings. Action items 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 Directors, Senior Independent Non-Executive Director, Board Committees and Company Secretaries.</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	:		

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 a 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 Complaints Policy, 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 2018, 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 having at least half of the Board comprising Independent Non-Executive Directors.</p> <p>The presence of four (4) Independent Directors in the Board of APM in substance carries weight in Board decisions to ensure a long-term interest for the Company and its shareholders, employees, customers and other stakeholders. This is girded by their willingness to challenge Management with questions objectively, and debate constructively during the Board meetings to reinforce the checks and balances in the Board's decision-making process.</p> <p>Therefore, the Board opines that the lack of at least half of Independent Non-Executive Directors in the current Board composition does not jeopardise the independence element in deliberations, and all decisions are made in the best interest of the Company.</p> <p>Nevertheless, the Board remains guided by the Practices of the Malaysian Code on Corporate Governance ("MCCG").</p>

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.2

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

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>Dato' N. Sadasivan s/o N.N. Pillay has served as an Independent Non-Executive Director for a cumulative term of 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 Dato' N. Sadasivan remained unimpaired and his judgement over business dealings of the Company was not influenced by the interest of the other Directors or substantial shareholders.</p> <p>Accordingly, the Board resolved to recommend the continuation of office of Dato' N. Sadasivan as an Independent Non-Executive Director for approval by shareholders at the forthcoming Annual General Meeting ("AGM").</p> <p>With the calibre, qualifications, experience and personal traits, particularly on integrity and objectivity, possessed by Dato' N. Sadasivan, the Board believes that Dato' N. Sadasivan is well positioned to discharge his duties and responsibilities as an Independent Non-Executive Director towards meeting the Company's needs for the ensuing year, and he can continue to perform his duties without being subjected to undue influence. Key justifications for retaining him as an Independent Non-Executive Director are disclosed in the Notice of AGM of the Company's Annual Report 2018.</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 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 rights 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 Shareholders” 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 office of Dato’ N. Sadasivan as an 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 as an Independent Non-Executive Director via the usual single-tier voting. This process allows shareholders to provide sounding to the Board on the Independent Non-Executive Director who has served beyond the twelfth year.</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 a non-diverse one. The Board views diversity at Senior Management level as a profile that provides constructive debates, which lead to better decisions. It enables the discussion of the same ideas in differing perspectives 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 were 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 2018, there are five (5) females holding the position of Senior Management in the Group, including the position of 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>The Company currently has ten (10) members comprising nine (9) male Directors and one (1) female Director on the Board. This Board composition is in line with the target set in the Board Diversity Policy, i.e. the Board shall comprise at least a female Director at any time to address gender diversity.</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" data-bbox="555 938 1390 1283"> <tr> <td data-bbox="555 938 794 1283">Prospective candidates are recommended by Directors to fill casual vacancy or additional position →</td> <td data-bbox="794 938 1002 1283">The profiles of prospective candidates are reviewed by NRC, followed by interview with the candidates →</td> <td data-bbox="1002 938 1222 1283">If assessed to be suitable, NRC recommends for Board's consideration and decision →</td> <td data-bbox="1222 938 1390 1283">Board's deliberation and decision</td> </tr> </table> <p>(Diagram A)</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 considers the recommendation from other independent sources to ensure that it is able to identify the most suitable candidates, for example, the 30% Club and NIEW Women Directors Registry.</p> <p>The appointment of Dato' Chan Choy Lin to the Board as an Independent Non-Executive Director on 31 July 2018 was deliberated and approved by the Board based on the above appointment process.</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 assessed 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 assessed 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 consists 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 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 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>KPMG Management & Risk Consulting Sdn Bhd, an external consultant, was engaged in 2013 to assist the NRC in the evaluation process. Subsequently, the assessment is conducted internally and facilitated by the Company Secretaries.</p> <p>On 25 January 2019, 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 2018 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/her role as part of the Board, Board Committees as well as a Director of the Company. The NRC also took 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 in office of the Independent Non-Executive Director who has served beyond 12 years as the Company's Independent Non-Executive Director, 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' fees and benefits payable to them at the forthcoming AGM to be held on 29 May 2019.</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 are contained in the Board Charter uploaded 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	:	

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 poached by competitors. Hence, the Group may lose high calibre personnel, who have been contributing to the Group's performance.</p> <p>The Company, as an alternative, opted to disclose the names of the key senior management of the Group and aggregate remuneration of the key senior management on a group basis. The key senior management of the Group comprises the Chief Financial Officer and the heads of major subsidiaries, who have the authority and responsibility for planning, directing and controlling business operations of the Group's core business and major subsidiaries' business activities.</p> <p>The key senior management (excluding Executive Directors) of the Group are Ms. Khoo Peng Peng, Mr. Ng Boon Hooi, Mr. Kho Kiat Seng, Mr. Chye Mun Heng, Mr. Ng Kok Boon, Mr. David Haswell Brown, Mr. Chin Sze Cheon and Mr. Tan Cheng Chai, the designations and profiles of whom are disclosed in the Company's Annual Report 2018. The aggregate remuneration (inclusive of salaries and other benefits-in-kind) of these key senior management for 2018, on a group basis, was RM3,498,533.</p> <p>The Board has in 2018 formalised the remuneration policies and procedures to ensure that the remuneration of the senior management personnel is 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 set for the year. The remuneration packages are reviewed annually, and adjustments to their remuneration are made based not only on their individual performances and contributions, but also on the overall Group's performance.</p>

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

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 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/she has ceased as the key audit partner for a period ("cooling off") 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 2019 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 2019.</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' Chan Choy Lin Lee Tatt Boon</p> <p>All the Independent Non-Executive Directors satisfied the independence criteria 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 Committee's Terms of Reference approved by the Board. The Committee members have attended 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 financial reporting standards and 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, reporting 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 Risk Management and Sustainability Committee (“RMSC”), 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	:	
<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

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 are based on risk parameters that are considered appropriate to reflect the risk appetite of the Group.</p> <p>Whilst the RMSC is tasked with the responsibility of creating risk-awareness amongst employees 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' risk response plans and assesses the effectiveness of controls in managing the relevant risks. The results of the reviews are presented at RMSC meetings for further deliberations as needed.</p> <p>Further details on how key risk areas are 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 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

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	:	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. The scope and extent of internal audit 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 2018.	
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>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 the 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 2019 confirmed the internal audit's 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 of ensuring 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.
		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	:	Applied	
Explanation on application of the practice	:	In 2018, the Notice of 21st AGM was sent to shareholders 28 days before the AGM, in advance of the 21-day requirement under the Company's Constitution, the Companies Act, 2016 and the Main Market Listing Requirements, which provided additional time to shareholders to enable 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 tabled and voted on at the last AGM.	
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 12.2

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 Chair of Board Committees, attended and participated at the Company's 21st Annual General Meeting held on 23 May 2018.</p> <p>The attendance of all Directors at the AGM presented opportunities for shareholders to engage with each Director and also allowed them 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	:	<p>The AGMs of the Company are always held in Kuala Lumpur and at a place accessible by shareholders.</p> <p>The Company has 5,408 shareholders based on the Record of Depositors as at 29 March 2019, 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.</p> <p>Shareholders are allowed to appoint any person(s) as their proxies to attend participate, speak and vote in his stead at a general 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	:	

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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