

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 7090 AHEALTH  
**COMPANY NAME** : APEX HEALTHCARE BERHAD  
**FINANCIAL YEAR** : December 31, 2020

## 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 PURSUANT 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors is elected by the shareholders and is the highest decision-making body of the Company other than a general meeting of the shareholders themselves. The Board of Directors is responsible for providing stewardship and oversight of management and operations of the Company. The key roles of the Board are set out in the Board Charter, which is available at <a href="http://www.apexhealthcare.com.my">www.apexhealthcare.com.my</a>.</p> <p>The Board is responsible for providing leadership and setting the strategic aims of the Company that will ensure long-term sustainability. The Board considers, reviews, challenges and approves the strategic multi-year plan proposed by Management. Specifically, the Board reviews and challenges Management's proposal on strategic business plans for each business unit annually or more frequently should the need arises. In 2020, the Board and management conducted a review of the Group's strategy in the context of the operating environment and industry dynamics with particular emphasis on the cost leaning and reconfiguration initiatives of the Group amid the COVID-10 pandemic. A Board Strategy Forum was also held in August 2020 for the Board to review, challenge and approve Management's proposal on the strategic plans for the businesses for 2021 and beyond.</p> <p>The Board meets quarterly and tracks targets in the furtherance of strategic and other plans to ensure that they align with the long-term objectives of the Company. During the financial year ended 31<sup>st</sup> December 2020, in addition to the Board Strategy Forum which was dedicated exclusively for review of Management's strategic plans for the Company, the Board met on 19<sup>th</sup> February, 21<sup>st</sup> May, 26<sup>th</sup> August and 19<sup>th</sup> November to review quarterly performance to ensure that the strategic direction of the Company continues to support long term value creation and interests of its shareholders and other</p>

	<p>stakeholders. For the perusal of Board members, Monthly Management Reports are made available upon request.</p> <p>The Core Tenets of the Apex Healthcare Berhad Group (“the Group”) namely “Service, Quality and Integrity” form the bedrock upon which the Group functions. These Core Tenets were instituted by the Founder of the Company and remain true to this day. The Board sets the “tone from the top” and together with Senior Management, promotes a culture of corporate governance that reinforces ethical and professional behaviour premised on the Company’s Core Tenets. The Board ensures that the Core Tenets are upheld at all times by the Company in its business dealings and in its relationship with shareholders and other stakeholders.</p>	
<b>Explanation for departure</b>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>		
<b>Timeframe</b>		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The roles of the Chairman are enshrined in the Board Charter which include chairing general meeting of shareholders, representing the Board to the shareholders and communicating the Board's position, leading the Board by facilitating constructive discussion and debate during Board meetings, determining in consultation with Management the agenda for the Board's deliberations and ensuring that the Board and its Committees are fully supplied with the information and resources necessary to discharge their duties effectively. The review of Board responsibilities and effectiveness is conducted by the Board periodically. The Board Charter has also been subjected to a close review to ensure that it is line with the provisions of all applicable laws and regulations including the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009"). The Board Charter is found on the Company's website: <a href="http://www.apexhealthcare.com.my">www.apexhealthcare.com.my</a>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board acknowledges that the CEO, being also the representative of the largest shareholder, confers the advantage of shareholder leadership and enjoys the support and cooperation of the Directors. The Independent Directors are of the opinion that he is well qualified and best positioned to align all interests to create a high functioning Board in the additional capacity as Chairman of the Board.</p> <p>Although the functions of Chairman and CEO are currently combined, the Board is of the opinion that no single person has excessive powers of decision as:</p> <ul style="list-style-type: none"><li>• the Board is collectively responsible and accountable for meeting the objectives and goals of the Company;</li><li>• Board decisions are dependent on the consensus of the Directors, who take an active interest in all major and strategic decisions of the Group;</li><li>• four of the seven Board members are independent, and supply a strong independent element to the decision-making process;</li><li>• the Senior Independent Director avails himself to address shareholders' concerns and is a useful counterbalance in decision-making; and</li><li>• no single shareholder controls an absolute majority of the voting shares, and while Non-Independent Directors enjoy a good degree of consensus as to the best interests of the Company, agreement is not regarded as a foregone conclusion.</li></ul> <p><u>Alternative Practice:</u></p> <p>For the reasons stated above, the Board is satisfied that the alternative practice of combining the functions of Chairman and CEO meets the Intended Outcome as the Board assumes responsibility for the Company's leadership and is collectively responsible and accountable for meeting the objectives and goals of the company. Further, at all meetings of the Board of Directors, the Board elects one of its members, other than the Chairman, to be the Chairman of the meeting, thus avoiding any unfettered power of decision-making in any one individual.</p>

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

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	It is the Board's responsibility to appoint and retain the services of a suitably qualified and competent Company Secretary to advise and support the Board in carrying out its roles and responsibilities. In addition to the internal Company Secretary, currently the Group's Financial Controller, the Board has also appointed an external Joint Company Secretary in order to deepen availability of resources and experience. The Company Secretaries are qualified by virtue of Section 235(2) of Companies Act 2016 and information of their membership with relevant professional bodies can be found in Corporate Information of the Annual Report. The Company Secretaries advise and support the Board on governance matters and ensure that there is an effective system of corporate governance in place. The Company Secretaries also assure compliance with filing and administrative requirements and assume an important role in guiding the Board on statutory compliance. On a regular basis, they attend training and seminars conducted by the Companies Commission of Malaysia, the Malaysian Institute of Chartered Secretaries and Administrators and Bursa Malaysia Securities Berhad and other relevant regulatory bodies to keep abreast with the relevant updates on statutory and regulatory requirements.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>Directors have comprehensive and timely access to information concerning the Company and the Group. Notice of Board meetings and Board papers with supporting documents, presentations and materials detailing Group performance and operational, financial and corporate matters are circulated to Directors at least five business days in advance of Board meetings to ensure that Directors have sufficient time to study them and be prepared for discussion. Comprehensive minutes of Board meetings which accurately reflect the deliberations and decisions of the Board are maintained and circulated to the Directors in a timely manner. Formal channels are usefully augmented and supplemented by regular informal dialogue between non- executive members of the Board and Management on matters relating to the Company's business. Directors are entitled to request and receive supplementary information in order to be fully briefed before the meeting.</p> <p>Directors have access to the advice and services of the Company Secretaries and the Senior Management staff in the Group, and are entitled to seek independent professional advice at the Company's expense through an agreed procedure in the proper discharge of their duties as spelt out in the Board Charter.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Board Charter, which is designed to provide guidance and clarity for Directors and Management with regards to the role of the Board and its Committees, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as the Board's operating practices. The Board Charter serves as a reference point for Board activities and promotes high standards of corporate governance, and is available on the Company's website: <a href="http://www.apexhealthcare.com.my">www.apexhealthcare.com.my</a>. Among the matters set out in the Board Charter are the role and responsibilities of the Board and CEO, setting of corporate objectives, establishment of performance targets and long-term goals of the Company to be met by the CEO. The Board Charter explicitly specifies that the Board's role includes oversight and appraisal of the Company's strategies and policies and monitoring Management's implementation of them. The Board Charter also specifies matters reserved exclusively for Board's approval including limitation of management's authority to relevant responsibilities.</p> <p>The Board reviews its Board Charter periodically and updates the Board Charter in line with the changes in regulations and best practices of the Group that may impact the Board in the discharge of its responsibilities. With the enforcement of Section 17A of MACC Act 2009 from 1<sup>st</sup> June 2020 which enables a commercial organisation to be prosecuted if a person associated with the organisation commits a corrupt act, the need for a clear Board Charter with an adequate framework pertaining to anti-corruption practices become exigent. The enhanced Board Charter is available on the Company's website at <a href="http://www.apexhealthcare.com.my">www.apexhealthcare.com.my</a>.</p>
<b>Explanation for departure</b>	:	

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

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Core Tenets of the Apex Healthcare Group namely "Service, Quality and Integrity" have been enshrined in the Group's Code of Conduct. Individual operating subsidiaries have more detailed Employee Handbooks which specify detailed obligations of employees. These are contractual obligations and are drawn up to meet the specific needs of the businesses and the legal requirements of the countries in which the businesses are based. The Code of Conduct is available at the Company's website : <b><a href="http://www.apexhealthcare.com.my">www.apexhealthcare.com.my</a></b>.</p> <p>The Group values integrity in its dealings and observes zero tolerance towards malpractice, impropriety, statutory non-compliance or wrongdoing by its staff in the course of their work. Employees and external stakeholders such as suppliers, customers and contractors may use the procedures set out in Apex Healthcare Group's Whistleblowing Policy &amp; Procedure to report any concern or complaint regarding questionable accounting or auditing matters, internal controls, disclosure matters, conflict of interest, insider trading, collusion with competitors, serious breaches of the Group's policy, unsafe work practices or any other matters involving fraud, corruption and employee misconduct. The Whistleblowing Policy &amp; Procedure of the Company is available on the Company's website: <b><a href="http://www.apexhealthcare.com.my">www.apexhealthcare.com.my</a></b>.</p> <p>Pursuant to Section 9 of the Capital Markets and Services Act 2007, Bursa Malaysia Securities Berhad ("Bursa Malaysia") has made Anti-Corruption Amendments to the Main Market Listing Requirements in relation to anti-corruption measures which will take effect from 1<sup>st</sup> June 2020. In this regard, Apex Healthcare Berhad has enhanced its anti-corruption framework taking into account the nature of the Group's businesses, size, organizational structure and risks. These efforts support the priorities of the Malaysian government in eradicating corruption and improving governance and integrity, particularly in relation to Section 17A of MACC Act 2009 on corporate liability. The</p>

	<p>policies and procedures on anti-corruption which are guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of MACC Act 2009 have been established and the policy on anti-corruption is published on the Company's website : <b>www.apexhealthcare.com.my</b>. The existing Whistleblowing Policy &amp; Procedure of the Group which has been reviewed is also available on the same website. The effectiveness of these policies and procedures will be reviewed periodically, and in any event, at least once every 3 years. Corruption risks will be included in the annual risk assessment of the Group.</p>	
<p><b>Explanation for departure</b></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><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Whistleblowing Policy & Procedure of the Company provides the framework to promote responsible and secure whistleblowing. As part of the whistleblowing reporting mechanism, the Audit Committee assumes the position of Receiving Officer. The Whistleblowing Policy & Procedure has been further reviewed taking into consideration the provision of Section 17A of MACC Act 2009. The Whistleblowing Policy & Procedure of the Company is available on the Company's website: <a href="http://www.apexhealthcare.com.my">www.apexhealthcare.com.my</a>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board comprises the CEO/Chairman, two Non-Independent Non-Executive Directors and four Independent Directors; where 57.1% of the Board comprises Independent Directors. This goes beyond the requirement prescribed in Paragraph 15.02 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires at least two Directors or one third of the Board, whichever is higher, to consist of Independent Directors. The higher proportion of Independent Directors engenders Board independence which provides the necessary check and balance to alleviate boardroom dominance, stereotype discussions and complacency. Furthermore, the higher percentage of Independent Directors facilitates their rotation across Board Committees. The Board Committees will be able to benefit from greater checks and balances and deliberations will be enhanced from the contributions of Independent Directors with diverse backgrounds.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	All Independent Directors who have served the Company for an aggregate of more than nine years will submit themselves for annual shareholders' approval at the Annual General Meeting to be retained as Independent Directors. The justifications for retention are provided in the Notes to the Notice of Annual General Meeting for shareholders' consideration. The recommendation by the Board for retaining such Independent Directors is based on their independence, incumbent knowledge and contributions to the strategic objectives and stewardship of the Company. The two-tier voting process to retain any Independent Director after the twelfth year, as prescribed in the Malaysian Code on Corporate Governance will be employed at the Annual General Meeting of the Company if such a situation arises.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	



## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Nomination Committee was established in 2001 and comprises Non-Executive Directors, a majority of whom are Independent Directors. The responsibility of the Nomination Committee in overseeing the selection and assessment of Directors is stipulated in its Terms of Reference.</p> <p>The Terms of Reference of the Nomination Committee which is published on the Company's website at <a href="http://www.apexhealthcare.com.my">www.apexhealthcare.com.my</a> is as follows :</p> <p><b>1. Constitution</b></p> <p>The Board has established a Committee of the Board to be known as the Nomination Committee (hereinafter referred to as the "NC") with authority and duties as specified in these Terms of Reference.</p> <p><b>2. Membership</b></p> <p>2.1 The NC shall be appointed by the Board from amongst themselves, comprising exclusively of Non-Executive Directors, the majority of whom shall be independent. The appointment of a Committee member terminates when the member ceases to be a Director, or as determined by the Board.</p> <p>2.2 The Chairman of the NC shall be a Senior Independent Non-Executive Director appointed by the Board. In the absence of the Chairman, the members present shall elect a Chairman from among themselves.</p> <p>2.3 The Company Secretary shall be the Secretary of the NC.</p> <p><b>3. Meetings</b></p> <p>3.1 The Committee shall meet at least once a year. More meetings may be conducted if the need arises. The quorum for a meeting of the NC shall be two (2) members, present in person, a majority of whom must be Independent Directors.</p> <p>3.2 A resolution in writing, signed by all the members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members. Any such documents may be accepted as</p>

sufficiently signed by a member if transmitted to the Company by telegram, telex, facsimile or other electrical written message purporting to include a signature of the member.

3.3 The Company Secretary or his/her representative or other appropriate senior officer shall act as secretary of the Committee and shall be responsible in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to Committee members prior to each meeting.

#### **4. Principles**

4.1 The ultimate decision on the appointment of Directors to the Board is the responsibility of the Board of Directors after due consideration of the recommendations of the NC.

4.2 The Board embraces diversity amongst its members and has ensured a good representation of the relevant skills and experience for the discharge of its duties. Its policy towards boardroom diversity is above all, to be non-discriminatory with regards to gender, race or religion, and only considering relevant qualifications, ability and commitment when proposing candidates for shareholders' approval.

4.3 The Board desires that each of its Directors, Chief Executive Officer, Chief Operating Officer, Senior Vice President and Financial Controller be of appropriate character, experience, integrity and competence so as to carry out their duties in the best interest of the Company. In addition, each of the Non-Executive Directors must be able to devote time to discharge their responsibilities in their respective roles and Board Committees.

4.4 The NC shall take into cognizance in its deliberations the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the principles of the Malaysia Code on Corporate Governance, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.

#### **5. Duties and Functions of the Committee**

The NC shall:

5.1 Assess and recommend to the Board, suitably qualified candidates for all directorships to be filled including new Directors and Directors to be re-elected or re-appointed or retained, taking into consideration candidates'

- skills, knowledge, expertise and experience;
- commitment (including time commitment) to effectively discharge his/her role as a Director;
- professionalism;
- gender, age and ethnicity and their pertinence to boardroom diversity;

	<ul style="list-style-type: none"> <li>• character, integrity and competence; and</li> <li>• in the case of candidates for Independent Directors, ability to discharge the responsibilities and functions expected of Independent Non-Executive Directors.</li> </ul> <p>5.2 Seek, evaluate and recommend candidates for directorship as and when required. The NC should seek recommendations and referrals from shareholders, Directors, Senior Management and external independent sources where practicable in identifying appropriate candidates. Evaluation of candidates include the review of resumes, reference checks and interviews based on criteria established in para 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The NC will then recommend chosen candidates to the Board for consideration.</p> <p>5.3 Assess annually the effectiveness of the Board as a whole, the Committees of the Board, individual Directors including Independent Non-Executive Directors, as well as the Chief Executive Officer and Chief Financial Officer through a process implemented by the Board. All assessments and evaluations carried out by the NC in the discharge of all its functions should be properly documented. The annual assessment takes the form of self-assessment questionnaires and the results are circulated and deliberated at meeting(s) of the NC and the outcome duly recorded in the minutes of the meeting(s) of the NC. The comments, recommendations and/or action plans for enhancements based on the evaluation results are tabled to the Board.</p> <p>5.4 Assess the independence of the Independent Directors upon admission, annually and when any new interest or relationship develops and confirm the conduct of this assessment in the annual report of the Company and in any notice convening a general meeting seeking approval for the appointment and reappointment of Independent Directors.</p> <p>5.5 Recommend to the Board, Directors to fill the seats on other Board Committees.</p> <p>5.6 Review annually the Board’s required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors bring to the Board.</p> <p>5.7 Determine appropriate training for Directors, review the fulfilment of such training, and disclose details in the annual report as appropriate, in accordance with Bursa Malaysia Securities Berhad’s guidelines on Directors’ Training.</p> <p>5.8 Consider and recommend the Directors for re-election at each Annual General Meeting.</p>
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	<p>5.9 Consider and recommend the retention of each Independent Director who has served in that capacity for more than nine years at each Annual General Meeting.</p> <p>5.10 Undertake any other duties as may be assigned by the Board of Directors from time to time.</p> <p>5.11 Review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with its Terms of Reference.</p> <p>5.12 Consider the succession planning of members of the Board and Senior Management through a formalized Succession Planning policy to ensure sustainable and effective performance of the Board and Senior Management through planned succession and compliance with good governance practices.</p> <p>The Board desires that each of its Directors, Chief Executive Officer, Chief Operating Officer, Senior Vice President and Financial Controller be of appropriate character, experience, integrity and competence so as to carry out their duties in the best interest of the Company. In addition, each of the Non-Executive Directors must be able to devote time to discharge their responsibilities in their respective roles and Board Committees.</p> <p>On 23<sup>rd</sup> May 2019, Datuk Noharuddin Bin Nordin @ Harun was appointed as the Senior Independent Director and assumed the position of Chairman of NC. The composition of NC was also refreshed on 23<sup>rd</sup> May 2019 with the members appointed by the Board amongst themselves comprising exclusively Non-Executive Directors with a majority of Independent Directors. The members of NC are as follows :</p> <ol style="list-style-type: none"> <li>1. Datuk Noharuddin Bin Nordin @ Harun, Chairman (Senior Independent Non-Executive Director)</li> <li>2. Mr Robert Dobson Millner, Member (Non-Independent Non-Executive Director)</li> <li>3. Ms Heng Su-Ling Mae, Member (Independent Non-Executive Director)</li> </ol>
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board embraces diversity amongst its members and has ensured a good representation of the relevant skills and experience for the discharge of its duties. Its policy towards boardroom diversity is above all, to be non-discriminatory with regards to gender, ethnicity, age, race or religion, and only considering relevant qualifications, ability and commitment when proposing candidates for shareholders' approval.</p> <p>The Board considers its current size and composition as ideal. Further changes to the gender ratio of the directors will be guided by the policy stated above. Currently, the Board has a female Independent Non-Executive Director, Ms Heng Su-Ling Mae who has been a Director since 2008, well before the promulgation of Malaysian Code on Corporate Governance and its antecedent Malaysian Code on Corporate Governance 2012. To further strengthen the composition of the Board through gender diversity, and in view of Ms Heng's professional qualification as a Chartered Accountant and her valuable contribution as a member of the Audit Committee, Ms Heng has been appointed Chairman of the Audit Committee since August 2015. In its measure towards meeting its gender diversity policy, the Board takes cognizance of the importance of considering candidates for appointment from a wider pool. The Board acknowledges the benefits of having participation of women on the Board in terms of providing different perspectives and insights for effective decision making and targets to ensure that there is women representation on the Board at any one time.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board appreciates the importance of using a variety of approaches and sources to ensure that it is able to identify the most suitable candidates. In this regard, the Nomination Committee is charged with the responsibility of identifying, selecting and recommending to the Board suitable candidates taking into account factors such as personal attributes, skills, experience, competence, capability and time and commitment to effectively discharge the fiduciary duties and functions with due consideration of diversity required of Directors. As there is no “one size fits all” and taking into account the business environment that the Company operates in, the Board authorises the Nomination Committee the option of using external independent sources, if required, in the recruitment of candidates for directorship above and beyond referrals from shareholders, Directors and Senior Management. Evaluation of candidates include the review of resumes, reference checks and interviews based on criteria established in Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Nomination Committee will then recommend chosen candidates to the Board for consideration. This Practice is specified in the Terms of Reference of the Nomination Committee. The composition of the Nomination Committee was last refreshed on 23 <sup>rd</sup> May 2019 with an appointment of a new Chairman of Nomination Committee.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Since August 2015, the Senior Independent Director has assumed the chairmanship of the Nomination Committee thus providing effective leadership to the Nomination Committee in the discharge of its duties. On 23 <sup>rd</sup> May 2019, a new Senior Independent Director, Datuk Noharuddin Bin Nordin @ Harun was appointed to assume the chairmanship of the Nomination Committee. The composition of the Nomination Committee was also refreshed.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee assesses and reviews the effectiveness of the Board, Directors and Board Committees annually through self-assessment questionnaires. The results are circulated and deliberated at Nomination Committee meetings and the outcome recorded in the minutes of the Nomination Committee meetings. The comments, recommendations and/or action plans for enhancements based on the evaluation results are tabled to the Board. The disclosure of this process is made in the Terms of Reference of the Nomination Committee and Report of the Nomination Committee of the Company.</p> <p>The Nomination Committee also considers the succession planning of the Board and Senior Management through a formalised succession planning policy to ensure sustainable and effective performance of the Board and Senior Management through planned succession and compliance with good governance practices.</p> <p>In 2016, the Board of Directors approved a Board Succession Planning Policy Framework which addresses board size, number of Independent Directors and their tenure and terms of appointment, age limit of Directors and diversity policy. For Senior Management, a succession plan has been drawn up for three levels of Senior Management in all the Group’s operating subsidiaries and is reviewed by the Board periodically. These succession planning frameworks are constantly reviewed with the ultimate aim of enhancing leadership and effectiveness of the Board and Senior Management. The updated Board Succession Planning Policy was approved by the Board on 22<sup>nd</sup> February 2018. For Management, three structured Leadership Management Programs for CEO, Senior Management and Business Heads comprising talent development and succession planning were instituted in 2019.</p>



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

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The policies and procedures to determine the remuneration of Directors and Senior Management, namely the scope of coverage of the policy and the criteria for determining remuneration for Executive Directors and Non- Executive Directors are prescribed in the Terms of Reference of the Remuneration Committee which is published on the Company's website at <a href="http://www.apexhealthcare.com.my">www.apexhealthcare.com.my</a>.</p> <p>The Terms of Reference of the Remuneration Committee is as follows :</p> <p><b>1. Constitution</b></p> <p>The Board has established a Committee of the Board to be known as the Remuneration Committee (hereinafter referred to as the "RC") with authority and duties as specified in these Terms of Reference.</p> <p><b>2. Membership</b></p> <p>2.1 The RC shall be appointed by the Board from amongst themselves and shall comprise exclusively of Non-Executive Directors, the majority of whom shall be independent. The appointment of a Committee member terminates when the member ceases to be a Director, or as determined by the Board.</p> <p>2.2 The members of the RC shall elect a Chairman from among their members.</p> <p>2.3 The Company Secretary shall be the Secretary of the RC.</p>

### **3. Meetings**

3.1 The Committee shall meet at least once a year. More meetings may be conducted if the need arises. The quorum for a meeting of the RC shall be two (2) members.

3.2 A resolution in writing, signed by all the members of the Committee, shall be as valid and effectual as if it has been passed at a meeting of the members duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members. Any such documents may be accepted as sufficiently signed by a member if transmitted to the Company by telegram, telex, facsimile or other electrical written message purporting to include a signature of the member.

3.3 The Company Secretary or his/her representative or other appropriate senior officer shall act as secretary of the Committee and shall be responsible in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to Committee members prior to each meeting.

### **4. Guiding Principles**

4.1 The levels of remuneration should be sufficient to attract and retain the Directors and Senior Management needed to run the company successfully. The component parts of remuneration should be structured so as to link rewards to corporate and individual performance, in the case of Executive Directors and Senior Management. In the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular nonexecutive concerned, taking into account any additional responsibilities undertaken such as chairmanship of a Board Committee or as the Senior Independent Director. The fees payable to Non-Executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or revenue.

There should be a formal and transparent procedure for developing remuneration policy on remuneration and for fixing the remuneration packages of individual Directors. The remuneration policy, which is applicable to Executive Director and Non-Executive Directors and Senior Management of the Group, is adopted by the Board based on the recommendations of the RC.

	<p>4.2 The Committee shall take into cognizance in its deliberations the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the principles in the Malaysia Code on Corporate Governance, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.</p> <p><b>5. Duties and Functions of the Committee</b></p> <p>As provided in the remuneration policy, the RC is authorised by the Board to:</p> <p>5.1 Review and determine, at least once annually, adjustments to the remuneration package, including benefits in kind, of each Executive Director and Senior Management of the Group, taking into account the corporate and individual performance, level of responsibility and complexity of the role, the inflation price index, and where necessary, information from independent sources on remuneration packages for equivalent jobs in the industry.</p> <p>5.2 Review and determine the quantum of performance-related bonuses, benefits-in kind and Employee Share Options (or Executive Share Options), if available, to be given to the Executive Directors are linked to corporate and individual performance.</p> <p>5.3 Review annually and recommend to the Board the level of fees paid to Non-Executive Directors, taking into consideration the fee levels and trends for similar positions in the market, time commitment required from the Director (estimated number of days per year). The review also takes into consideration any additional responsibilities undertaken by the Director acting as Chairman of a Board Committee or as Senior Independent Director.</p> <p>5.4 Consider and execute the renewal of the service contracts of Senior Management of the Group, as and when due, as well as the service contracts and remuneration package for newly appointed Executive Director(s) prior to their appointment.</p> <p>5.5 Execute any other duties as may be assigned by the Board of Directors from time to time.</p>
<p><b>Explanation for departure</b></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>	

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Remuneration Committee was established in 2001 with the task of establishing formal and transparent remuneration policies for Directors and Senior Management. Disclosure of Directors' remuneration in the manner as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Companies Act 2016 is made in the Report of the Remuneration Committee. The Remuneration Committee reviews the remuneration of directors at least once annually, making proposals for change where required, before seeking Board's endorsement and subsequent shareholders' approval where applicable. On 23<sup>rd</sup> May 2019, the composition of the Remuneration Committee was adjusted as part of the Board's endeavours to enhance its effectiveness with concomitant appointment of a new Chairman of the Remuneration Committee. The Remuneration Committee consists exclusively of Non-Executive Directors, the majority of whom are independent and is chaired by an Independent Non-Executive Director to further ensure independence of judgment. The members of the Remuneration Committee are as follows :</p> <ol style="list-style-type: none"><li>1. Datuk Phang Ah Tong, Chairman (Independent Non-Executive Director)</li><li>2. Mr Robert Dobson Millner, Member (Non-Independent Non-Executive Director)</li><li>3. Mr Jackson Chevalier Yap-Kit Siong, Member (Independent Non-Executive Director)</li></ol> <p>The Remuneration Committee institutes a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The remuneration policy of the Executive Director and Non-Executive Directors and Senior Management of the Company is adopted by the</p>

	<p>Board based on the recommendations of the Remuneration Committee.</p> <p>The executive remuneration package for Executive Director and Senior Management involve a balance between fixed and performance-linked (variable) elements. The relative weighing of fixed and variable remuneration for target performance varies with level of responsibility, complexity of the role and typical market practice. Ultimately, the executive remuneration package comprises the base salary and benefits that are set at a competitive level for similar roles within the same industry, and a variable component that links rewards to corporate and individual performance, skills, experience and responsibility. In the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. In addition, remuneration of Non-Executive Directors are annually benchmarked against publicly listed companies on Bursa Malaysia Securities Berhad of comparable industry, market capitalisation, scale and complexity.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	Applied							
<b>Explanation on application of the practice</b>	Company:							
	<b>Director</b>	<b>Remuneration</b>						
		<b>Fees</b>	<b>Salary</b>	<b>Bonus</b>	<b>Pension Costs</b>	<b>Benefits-in-kind</b>	<b>Emoluments</b>	<b>Total</b>
	<u>Executive Director</u>							
	Dr Kee Kirk Chin	66,800	100,841	46,317	27,794	125,686	-	367,438
	<u>Non-Executive Directors</u>							
	Robert Dobson Millner	-	-	-	-	-	38,000	38,000
	Datuk Noharuddin Bin Nordin @ Harun	103,900	-	-	-	-	-	103,900
	Heng Su-Ling Mae	112,900	-	-	-	-	-	112,900
	Datuk Phang Ah Tong	113,800	-	-	-	-	-	113,800
	Jackson Chevalier Yap-Kit-Siong	80,600	-	-	-	-	-	80,600
	Kee Kirk Chuen	57,800	-	-	-	-	-	57,800
	<b>Total</b>	<b>535,800</b>	<b>100,841</b>	<b>46,317</b>	<b>27,794</b>	<b>125,686</b>	<b>38,000</b>	<b>874,438</b>



Group:							
Director	Remuneration						
	Fees	Salary	Bonus	Pension Costs	Benefits-in-kind	Emoluments	Total
<u>Executive Director</u>							
Dr Kee Kirk Chin	66,800	821,057	2,202,039	109,694	125,686	-	3,325,276
<u>Non-Executive Directors</u>							
Robert Dobson Millner	-	-	-	-	-	38,000	38,000
Datuk Noharuddin Bin Nordin @Harun	103,900	-	-	-	-	-	103,900
Heng Su-Ling Mae	112,900	-	-	-	-	-	112,900
Datuk Phang Ah Tong	113,800	-	-	-	-	-	113,800
Jackson Chevalier Yap- Kit-Siong	80,600	-	-	-	-	-	80,600
Kee Kirk Chuen	57,800	-	-	-	-	-	57,800
<b>Total</b>	<b>535,800</b>	<b>821,057</b>	<b>2,202,039</b>	<b>109,694</b>	<b>125,686</b>	<b>38,000</b>	<b>3,832,276</b>
<b>Explanation for departure</b>							
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>							
<b>Measure</b>							
<b>Timeframe</b>							

### 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.

<b>Application</b> :	Departure																														
<b>Explanation on application of the practice</b> :																															
<b>Explanation for departure</b> :	<p>This Practice will not be fully adopted due to reasons of confidentiality and risk of talent attrition attributed to the highly competitive environment for scarce human resources in the pharmaceutical industry. Senior Management jobs differ, depending on job scope, geographical location and business activity. In this regard, disclosure purely on a named basis will not equitably establish a clear linkage between Group performance and individual remuneration, without further detailed disclosure and discussion on the individual's job scope within the Group, annual performance appraisal findings and attainment of key performance indicators.</p> <p style="text-align: center;"><b>Alternative Disclosure</b></p> <table border="1"> <thead> <tr> <th>Senior Management Remuneration</th> <th>Salaries &amp; other emoluments</th> <th>Bonus</th> <th>Pension Costs</th> <th>Non-Monetary Benefits</th> <th>Directors Fees</th> <th>Others</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Remuneration in RM</td> <td>980,352</td> <td>1,260,809</td> <td>430,406</td> <td>253,823</td> <td>-</td> <td>25,212</td> <td>2,950,602</td> </tr> <tr> <td>Remuneration as a %</td> <td>33.23%</td> <td>42.73%</td> <td>14.59%</td> <td>8.60%</td> <td>0.00%</td> <td>0.85%</td> <td>100%</td> </tr> </tbody> </table> <p>Senior Management is defined as the four members of the Executive Committee ("EXCO") of the Company, comprising the Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), Senior Vice President ("SVP") and Financial Controller ("FC"). As the CEO's remuneration is already furnished with the disclosure for Directors, Senior Management remuneration is disclosed as an aggregate of the other three members of the EXCO. Instead of bands, actual remuneration data is provided in the specified categories. This alternative practice affords a degree of confidentiality, yet provides shareholders relevant information to assess the linkage of Senior Management remuneration as a group to performance.</p> <p>The Board by virtue of Section 211(2) of Companies Act 2016 has all the powers necessary for managing, directing and supervising the management of the business and affairs of the company and will at all times exercise its powers in the best interest of the company. This includes being accountable for the appointment of the Senior Management team, their performance and remuneration. The remuneration of all</p>							Senior Management Remuneration	Salaries & other emoluments	Bonus	Pension Costs	Non-Monetary Benefits	Directors Fees	Others	Total	Remuneration in RM	980,352	1,260,809	430,406	253,823	-	25,212	2,950,602	Remuneration as a %	33.23%	42.73%	14.59%	8.60%	0.00%	0.85%	100%
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Remuneration in RM	980,352	1,260,809	430,406	253,823	-	25,212	2,950,602																								
Remuneration as a %	33.23%	42.73%	14.59%	8.60%	0.00%	0.85%	100%																								

	Senior Management of the Group is performance linked, closely reviewed and carefully determined by the Remuneration Committee annually and reported to the Board.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	This Practice has been in force by the Company as the Board is of the view that having the same Director to assume the position of Chairman of the Audit Committee and Chairman of the Board may impair objectivity and potentially lead to concentration of power in a single Director. This Practice which has always been adopted by the Company is now formalised by incorporating the policy in the Terms of Reference of the Audit Committee.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	This policy which aids in safeguarding the auditors' independence and objectivity has been adopted by the Audit Committee and the Terms of Reference of the Audit Committee has been updated accordingly.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee is delegated the task of assessing whether the External Auditors are suitable for reappointment, of which competence and independence are key considerations. This is spelt out in the Terms of Reference of the Audit Committee which is also published on the Company's website at <a href="http://www.apexhealthcare.com.my">www.apexhealthcare.com.my</a></p> <p>The Terms of Reference of the Audit Committee are as follows :</p> <p><b>1. Constitution</b></p> <p>The Board has established a Committee of the Board to be known as the Audit Committee (hereinafter known as the "AC") with authority and duties as specified in these Terms of Reference.</p> <p><b>2. Membership of the Committee</b></p> <p>2.1 The AC shall be appointed by the Board from amongst the Directors of the Company and shall consist of at least 3 members, comprising exclusively of Non-Executive Directors, a majority of whom shall be Independent Non-Executive Directors. A quorum requires the majority of members present to be Independent Directors.</p> <p>2.2 At least one member of the AC must be a member of the Malaysian Institute of Accountants. If there is none, one member must either have at least 3 years' working experience and (a) have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act, 1967, or (b) be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or have the following qualifications:-</p> <ul style="list-style-type: none"><li>i. a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or</li><li>ii. at least 7 years' experience being a chief financial officer of a corporation or having a function of being primarily</li></ul>

responsible for the management of the financial affairs of a corporation.

2.3 No alternate Director shall be appointed as a member of the AC.

2.4 The Board of Directors must via the Nomination Committee review the composition, term of office and performance of the AC and its members annually to determine whether the AC and its members have carried out their duties in accordance with its Terms of Reference.

2.5 The members of the AC shall elect a Chairman from among their number who shall be an Independent Non-Executive Director. The Chairman of the AC shall not be the Chairman of the Board.

2.6 The members of the AC shall elect a Chairman from among their number who shall be an Independent Non-Executive Director. The Chairman of the AC shall not be the Chairman of the Board.

2.7 If a member of the AC resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

2.8 The Company Secretary shall be the Secretary of the AC.

2.9 No former key audit partner of the Group shall be appointed as a member of the AC unless a cooling-off period of at least two years has lapsed.

### **3. Rights of the Audit Committee**

3.1 The AC shall, wherever necessary and reasonable for the performance of its duties, in accordance with procedures stipulated by the Board of Directors and at the cost of the Company:

- i. have authority to investigate any matter within its Terms of Reference;
- ii. have the resources that are required to perform its duties;
- iii. have full and unrestricted access to any information pertaining to the Company and the Group;
- iv. have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- v. be able to obtain independent professional or other advice and to invite outsiders to attend AC meetings where necessary; and



	<p>vi. be able to convene meetings with the External Auditors and Internal Auditors, without the presence of any employees, at least twice a year and whenever deemed necessary.</p> <p>3.2 The AC shall take into cognizance in its deliberations the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.</p> <p>3.3 Where the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the AC shall report such matter to Bursa Malaysia Securities Berhad.</p> <p><b>4. Duties and Functions of the Audit Committee</b></p> <p>4.1 The AC shall review the following and report the same to the Board of Directors:-</p> <ol style="list-style-type: none"> <li>i. with the External Auditors, the nature and scope of the audit before commencement;</li> <li>ii. with the External Auditors, their evaluation of the system of risk management and internal controls;</li> <li>iii. with the External Auditors, the audit reports, management letters and management response;</li> <li>iv. the assistance given by the Company's employees and officers to the External Auditors;</li> <li>v. the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;</li> <li>vi. the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations;</li> <li>vii. any appraisal or assessment of the performance of members of the internal audit function;</li> <li>viii. the financial reports at the end of each quarter and year end, prior to approval by the Board of Directors, focusing particularly on:- <ul style="list-style-type: none"> <li>• changes in or implementation of major accounting policy changes;</li> <li>• significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are being addressed; and</li> <li>• compliance with accounting standards and other legal requirements.</li> </ul> </li> <li>ix. any related party transaction and conflict of interests situation that may arise within the Company or Group</li> </ol>
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	<p>including any transaction, procedure or course of conduct that raises questions of management integrity;</p> <ul style="list-style-type: none"> <li>x. any letter of resignation from the External Auditors; and</li> <li>xi. whether there is reason (supported by grounds) to believe that the External Auditors is not suitable for re-appointment.</li> </ul> <p>4.2 The AC shall review any matters concerning the appointment/re-appointment and dismissal of both the Internal and External Auditors, their audit fees and render its recommendations accordingly to the Board of Directors. In considering the appointment/re-appointment and dismissal of the External Auditors, to consider among others:-</p> <ul style="list-style-type: none"> <li>i. the adequacy of the experience and resources of the accounting firm;</li> <li>ii. the persons assigned to the audit;</li> <li>iii. the accounting firm's audit engagements;</li> <li>iv. the size and complexity of the listed issuer's group being audited; and</li> <li>v. the number and experience of supervisory and professional staff assigned to the particular audit.</li> </ul> <p>4.3 The AC shall evaluate and assess the performance of External Auditors, in terms of the following:-</p> <ul style="list-style-type: none"> <li>i. the suitability, objectivity and independence of the External Auditors;</li> <li>ii. the External Auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;</li> <li>iii. the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and</li> <li>iv. whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.</li> </ul> <p>4.4 The AC shall discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the External Auditors or its affiliates and procedures that must be followed. The contracts to be entered into shall not include:-</p> <ul style="list-style-type: none"> <li>i. Management consulting;</li> <li>ii. Strategic decision;</li> <li>iii. Internal audit; and</li> <li>iv. Policy and standard operating procedures documentation.</li> </ul> <p>In the event that the non-audit fees paid to the Company's External Auditors, or a firm or corporation affiliated to the External Auditors' firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company's External</p>
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Auditors) the Company is required to state the details on the nature of non-audit services rendered in the Report of the Audit Committee.

The AC shall approve any appointment or termination of senior staff members of the internal audit function; take cognizance of resignations of internal audit staff and provide resigning staff member an opportunity to submit reasons for resigning or if the internal audit function is outsourced, then the AC shall evaluate and assess the performance of outsourced Internal Auditors, including their independence, competency, experience and resources to carry out the function effectively. The AC shall consider the major findings of internal investigations and management's response.

4.5 The AC shall verify that the allocation of options pursuant to the Apex Healthcare Berhad Employee Share Option Scheme, where any such Scheme is in operation, is in compliance with criteria that have been disclosed to employees as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

4.6 The AC functions also as a Risk Management Committee. Accordingly, the head of Internal Audit reports directly to the AC. The head of Internal Audit should have the relevant qualifications and responsibilities for providing assurance to the AC that the internal controls are operating effectively. For administrative and operational matters, the Internal Auditors will liaise with either the Chief Executive Officer ("CEO") or Financial Controller ("FC").

4.7 The Chairman of the AC should engage on a continuous basis with Senior Management in order to be kept informed of matters affecting the Company or Group.

4.8 The AC shall conduct meetings independently and separately from time to time with Internal and External Auditors; and

4.9 The AC shall conduct any other duties as may be assigned by the Board of Directors from time to time.

#### **5. Attendance at Meetings**

5.1 The CEO, FC, the key representatives of the External and Internal Auditors shall normally attend meetings.

5.2 Other Board members and employees may also attend AC meetings only at the AC's invitation, specific to the relevant meeting.

## **6. Procedure of Audit Committee**

6.1 The AC shall regulate its own procedure, in particular:

- i. the calling of meetings;
- ii. the notice to be given of such meetings;
- iii. the voting and proceedings of such meetings;
- iv. the keeping of minutes; and
- v. the custody, production and inspection of such minutes.

6.2 The AC shall meet at least 4 times a year. The AC shall meet with the External Auditors and Internal Auditors, without the presence of any employee, at least twice a year. The External Auditors may request a meeting if they consider that one is necessary.

6.3 The Secretary shall circulate the minutes of meetings of the AC to all members of the Board of Directors.

6.4 The AC shall prepare a report to the Board that provides details of the activities of the AC, number of AC meetings held in a year, details of attendance of Directors at such meetings and details of relevant training attended by each Director for inclusion in the Company's Annual Report.

6.5 A resolution in writing signed by all of the members of the AC shall be as valid and effectual as if it had been passed at a meeting of the members duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members. Any such documents may be accepted as sufficiently signed by a member if transmitted to the Company by telegram, telex, facsimile or other electrical written message purporting to include a signature of the member.

On 23<sup>rd</sup> May 2019, the composition of the AC was refreshed. All members of the AC are Independent Non-Executive Directors. They are as follows :

1. Ms Heng Su-Ling Mae, Chairperson (Independent Non-Executive Director)
2. Datuk Noharuddin Bin Nordin @ Harun, Member (Senior Independent Non-Executive Director)
3. Datuk Phang Ah Tong, Member (Independent Non-Executive Director)

The appointment of External Auditors is made upon satisfactory evaluation by the Audit Committee on their suitability and independence in respect of quality control, adequacy of resources, involvement of the audit partner and exercise of professional skepticism throughout the conduct of the audit engagement. On an annual basis, the Audit Committee will evaluate the performance and

	<p>quality of work conducted by the External Auditors as part of good Corporate Governance. At the end of each presentation by the External Auditors, the Audit Committee undertakes a private session to assess the quality of work performed by the External Auditors and to review the assistance provided by the Management to the External Auditors. As an added measure of assurance of independence, the External Auditors are encouraged to communicate at regular intervals with the Audit Committee regarding all relationships and other matters which may reasonably be thought to bear on their independence, in line with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.</p> <p>The Audit Committee employs a questionnaire extracted from the Malaysian Corporate Governance Guide 3<sup>rd</sup> Edition Appendix II: External Auditor Evaluation Form which assesses the calibre of the external audit firm, its quality processes or performance, the independence, objectivity, skills and expertise of the audit team, audit scope and planning, audit fees and audit communication.</p> <p>Assurance is provided by the External Auditors to the Audit Committee that, in accordance with the terms of all relevant professional and regulatory requirements, the External Auditors had been independent throughout the audit engagement for 2020.</p> <p>Having regard to the governance process in upholding integrity in financial reporting, the Board after due consideration of the External Auditors' suitability and independence upon recommendation by the Audit Committee and on being satisfied of the matter, will put forth for shareholders' approval annually the appointment or reappointment of External Auditors, whichever the case may be, and the fixation of their remuneration at the Annual General Meeting of the Company.</p> <p>The current External Auditors, Ernst &amp; Young PLT ("EY"), has been appointed as the Company's External Auditors since 2003. To mitigate the risk of over- familiarity and promotes objectivity while maintaining historical and institutional knowledge of the Company, rotation of audit partner of EY is practised. The last rotation of audit partner took place for the audit of financial year ended 31<sup>st</sup> December 2015. There are neither family nor business relationships other than audit engagements between the members of the EY engagement team and Apex Healthcare Berhad Board and Management that will place in question the independence of EY.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>

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

<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Audit Committee as of financial year 2020 comprised solely of Independent Directors. Nevertheless, the Board is cognisant of the importance of Board renewal as part of the overall objective of improving Board performance, and in this regard, this Step Up Practice will not be formalised as a corporate governance practice of Apex Healthcare Berhad yet.

### 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.

<b>Application</b>	:	Applied														
<b>Explanation on application of the practice</b>	:	<p>The requirement to undertake continuing education by the Directors is built into the Board Charter and the training undertaken by the Directors are formally reviewed and assessed by the Nomination Committee annually. The Nomination Committee on behalf of the Board, assesses, evaluates and determines the training needs of each Director, reviews the fulfilment of such training, and discloses details in the Annual Report as appropriate, in accordance with Paragraph 15.08 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>All Directors including members of the Audit Committee participate in continuing education to keep themselves abreast of developments in their fields of interest. The training programmes/seminars attended by the Directors during the financial year ended 31<sup>st</sup> December 2020 are as follows :</p> <table border="1"><thead><tr><th>Name</th><th>Date</th><th>Subject</th></tr></thead><tbody><tr><td rowspan="2">Dr Kee Kirk Chin</td><td>23<sup>rd</sup> April 2020</td><td>COVID-19: Updates from Singapore by NUS Medicine with Prof Kishore Mahbubani</td></tr><tr><td>14<sup>th</sup> August 2020</td><td>COVID-19 Vaccines and Drugs</td></tr><tr><td>Robert Dobson Millner</td><td>14<sup>th</sup> August 2020</td><td>COVID-19 Vaccines and Drugs</td></tr><tr><td>Datuk Noharuddin Bin Nordin @ Harun</td><td>14<sup>th</sup> August 2020</td><td>COVID-19 Vaccines and Drugs</td></tr></tbody></table>	Name	Date	Subject	Dr Kee Kirk Chin	23 <sup>rd</sup> April 2020	COVID-19: Updates from Singapore by NUS Medicine with Prof Kishore Mahbubani	14 <sup>th</sup> August 2020	COVID-19 Vaccines and Drugs	Robert Dobson Millner	14 <sup>th</sup> August 2020	COVID-19 Vaccines and Drugs	Datuk Noharuddin Bin Nordin @ Harun	14 <sup>th</sup> August 2020	COVID-19 Vaccines and Drugs
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	Heng Su-Ling Mae	2 <sup>nd</sup> July 2020	Boardroom Appointments - Making Diversity Work
		15 <sup>th</sup> July 2020	COVID-19 & beyond: Charting the way forward
		4 <sup>th</sup> August 2020	Corporate Governance in an Era of Extreme Risk
		14 <sup>th</sup> August 2020	COVID-19 Vaccines and Drugs
	Datuk Phang Ah Tong	14 <sup>th</sup> August 2020	COVID-19 Vaccines and Drugs
	Jackson Chevalier Yap-Kit-Siong	2 <sup>nd</sup> July 2020	Boardroom Appointments - Making Diversity Work
		14 <sup>th</sup> August 2020	COVID-19 Vaccines and Drugs
	Kee Kirk Chuen	14 <sup>th</sup> August 2020	COVID-19 Vaccines and Drugs
	Specifically with regards to the Audit Committee, all the members have an understanding of the implications of financial and accounting decisions and are able to ask pertinent questions of Management and auditors and meet the financial expertise requisite of Paragraph 15.09 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board acknowledges the importance of establishing and maintaining a sound system of internal controls, which provides reasonable assurance in ensuring the effectiveness and efficiency of operations and safeguards the assets and interests in compliance with laws and regulations as well as with internal financial administrative procedures and guidelines. The internal controls comprising financial, organisational, operational and compliance controls are devised to safeguard shareholders' investment and the Group's assets. The Board recognises that such systems can provide only a reasonable level of, rather than absolute assurance against misstatement or loss within the practical constraints of operating a going concern. Improvement and refinement of internal control systems, and their adaptation to changing requirements, is an ongoing process. Pursuant to the Bursa Malaysia's Anti-Corruption Amendments, corruption risks will be included in the annual risk assessment of the Group as part of the Group's initiative to enhance its anti-corruption framework with effect from 1 <sup>st</sup> June 2020. Further information may be found in the Statement on Risk Management and Internal Control published annually in the Group's Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The monitoring of risks is carried out by Management at their respective monthly management meetings. Any variation and developments are reported to the Chief Executive Officer and Financial Controller and subsequently to the Audit Committee on a periodic basis.</p> <p>On an annual basis, risk assessment is carried out by the Senior Management in consultation with the Internal Auditors to identify key risks and devise measures to address these risks. Pursuant to the Bursa Malaysia's Anti-Corruption Amendments, corruption risks will be included in the annual risk assessment of the Group as part of the Group's initiative to enhance its anti-corruption framework with effect from 1<sup>st</sup> June 2020. The Risk Assessment report is then reviewed by the Risk Management Committee, the functions of which are assumed by the Audit Committee. The Audit Committee reviews the risk management framework and processes to ensure that they remain relevant for use, and monitors the effectiveness of risk treatment and their corresponding mitigation action plans for the management and control of the key risks. The Board affirms its overall responsibility for the Group's risk management, and for reviewing the adequacy and integrity of the Group's risk management framework which encompasses all subsidiaries of the Group before adoption.</p> <p>The risk management framework adopted by the Group is guided by internationally recognised risk management framework. The risk management framework and process, the key anticipated and known risks that the Group is exposed to which may have a material effect on the Group's operations, performance, financial condition and liquidity and the internal control systems of the Group are found in the Statement on Risk Management and Internal Control.</p>
<b>Explanation for departure</b>	:	

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

<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company outsources the internal audit function as being currently the most cost effective means of implementing an internal audit function. The duties and functions of the Audit Committee in relation to the governance of internal audit function of the Company are specified in the Terms and Reference of the Audit Committee. The Audit Committee assumes a pivotal role in the oversight of internal audit function, and in this regard reviews and reports to the Board the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work. The Audit Committee also reviews the internal audit plan processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations. The head of Internal Audit reports directly to the Audit Committee and therefore is accountable to the Audit Committee on the quality and effectiveness of internal audit and its role in the overall context of the Company's risk management system.</p> <p>Kloo Point Risk Management Services Sdn Bhd was appointed as the provider of outsourced Internal Audit Function with effect from 1<sup>st</sup> January 2017. For financial year ended 31<sup>st</sup> December 2020, the Internal Auditors attended and reported to the Audit Committee at all the four Audit Committee meetings. The Internal and External Auditors are unrelated parties. Further information may be found in the Statement on Risk Management and Internal Control published annually in the Group's Annual Report.</p> <p>The rotation of internal auditors is practised by the Group to mitigate the risk of over familiarity and promotes objectivity of the internal audit functions. In this regard, with effect from 1<sup>st</sup> January 2021, Resolve IR Sdn Bhd ("Resolve") has been appointed as the new provider of the outsourced Internal Audit function. As a response to border restrictions arising from the COVID-19 pandemic, the Group has appointed BDO Advisory Pte Ltd ("BDO"), a Singapore-based outsourced internal auditor to conduct physical audit for the Group's key subsidiary in Singapore namely Apex Pharma Marketing Pte Ltd ("APS"), with effect from 1<sup>st</sup> January 2021. The appointment of a Singapore-based internal auditor to conduct a physical audit will set to improve the control environment in APS. BDO will complement Resolve in the discharge of their professional functions as outsourced internal auditors of the Group.</p>

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

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Prior to the appointment of the outsourced Internal Auditors, the Audit Committee reviews the relevant matters in connection with their appointment before rendering its recommendation to the Board, to ensure the Internal Auditors are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The engagement letter, constituting the entire agreement between the Company and the outsourced Internal Auditors, duly specifying the appointment and termination, the scope of audit coverage, scope of services, Management’s responsibilities, access of working papers and reports, confidentiality, release and indemnification, deliverables of internal audit outcome, fees and other services, is entered into between the parties concerned. The adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work are reviewed by the Board through the Audit Committee.</p> <p>The Group’s independent internal audit function is outsourced to a professional service firm to assist the Board and the Audit Committee in providing an independent assessment of the adequacy, efficiency and effectiveness of the Group’s system of internal control. From 1<sup>st</sup> January 2017 to 31<sup>st</sup> December 2020, Kloo Point Risk Management Services Sdn Bhd was engaged as the provider of outsourced Internal Audit function with Mr Khor Ben Jin as the head of the Group internal audit function assuming the position of Chief Audit Executive (“CAE”). Each internal audit review was staffed by 3 internal audit executives, including the CAE who also led the reviews and the engagement to ensure that the internal audit function was carried out effectively. The CAE reported directly to the Chairman of the Audit Committee on audit matters, and to the CEO/FC on administrative matters. The Audit Committee meets with the internal auditors without the presence of Management, at least twice a year.</p> <p>Mr Khor is a Fellow of the Association of Chartered Certified Accountants, UK, a Certified Internal Auditor, USA, as well as a member of the Malaysian Institute of Accountants. He has more than</p>



	<p>15 years of experience in providing internal audit consulting services, enterprise risk services and corporate governance reviews addressing issues relating to governance, risk and controls compliance in highly regulated environments. In addition, he has been trained in Internal Audit methodologies which enabled him to identify risks and establish an internal control process and system which covers the roles and functions and scope of work to assist the Audit Committees and the Boards of Directors to oversee the internal audit function of the Group.</p> <p>With effect from 1<sup>st</sup> January 2021, the provider of outsourced Internal Audit function has been changed to Resolve IR Sdn Bhd (“Resolve”). The rotation of internal auditors is practised by the Group to mitigate the risk of over familiarity and promotes objectivity of the internal audit functions. Resolve is a member of the Institute of Internal Auditors, Malaysia (“IIAM”) (Membership Number: C0477) and its personnel are individual members of IIAM or Malaysian Institute of Accountants or both. Resolve is headed by Mr Choo Seng Choon, a Fellow of the Association of Chartered Certified Accountants of UK (ACCA), Chartered Accountant of Malaysian Institute of Accountants (MIA) and Chartered Member of The Institute of Internal Auditors Malaysia. Mr Choo has over 25 years of professional experience in internal audit, risk management, corporate governance, performance &amp; business management, IPOs, taxation, due diligence and corporate finance. Resolve is staffed by a team of internal audit managers and executives with adequate resources in the internal audit function.</p> <p>As a response to border restrictions arising from the COVID-19 pandemic, the Group has appointed BDO Advisory Pte Ltd (“BDO”), a Singapore-based outsourced internal auditor to conduct physical audit for the Group’s key subsidiary in Singapore namely Apex Pharma Marketing Pte Ltd (“APS”) with effect from 1<sup>st</sup> January 2021. The risk advisory service of BDO is headed by Mr Willy Leow, who has more than 17 years of internal audit experience and manages a portfolio of outsourced internal audits of over 50 listed companies and government bodies. Mr Leow is a Chartered Accountant (Singapore), Certified Internal Auditor and Certified Information System Auditor. He is also a Practising Management Consultant and has a certification in Risk Management Assurance. The engagement team is led by Ms Khong Choon Meng, associate director and assisted by Ms Yang XinRu, Senior Manager with adequate resources in the internal audit function.</p> <p>The appointment of a Singapore-based internal auditor to conduct a physical audit will set to improve the control environment in APS. BDO will complement Resolve in the discharge of their professional functions as outsourced internal auditors of the Group.</p>
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	<p>Internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence. The internal audit function has adopted the International Professional Practices Framework set by the Institute of Internal Auditors (“IIA”) and ensures that staff are professionally guided and trained to develop the appropriate competencies to perform their duties during the internal audit review.</p>	
<p><b>Explanation for departure</b></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><b>Measure</b></p>	:	
<p><b>Timeframe</b></p>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board values dialogue with both institutional and individual shareholders, and has made it a Company policy to recognise that timely and equal dissemination of relevant information should be made to all shareholders and stakeholders without favouring one group over another. The Senior Management liaises with investment analysts, fund managers and shareholders every financial quarter and the media from time to time to explain the Group's strategy, performance and major developments, and to receive feedback. In all the communications with stakeholders, the Board ensures that the Company complies with all applicable corporate disclosure laws and regulations. Shareholders' concerns may be directed to the Senior Independent Non-Executive Director, via the Company Secretaries.</p> <p>The Board welcomes shareholders' participation at the Annual General Meeting, which is the principal forum for dialogue with the shareholders, and is an opportunity for the Board to respond directly to shareholders queries and to undertake to provide sufficient clarification on issues and concerns raised by shareholders.</p> <p>The Board supports the use of information technology for the effective dissemination of information. The Company makes use of its website (<a href="http://www.apexhealthcare.com.my">www.apexhealthcare.com.my</a>) as a communication channel to disseminate information regarding the Company. The website contains contact details for shareholders' enquiries and/or comments, which are reviewed by the CEO. The website also serves as a useful reference source of information to many shareholders, investment analysts, business partners and other stakeholders. In addition to publishing financial results, annual reports and business information, the website has dedicated Corporate Governance sections which include the Board Charter, Code of Conduct, Whistleblowing Policy &amp; Procedure and Privacy Policy.</p> <p>Pursuant to Paragraph 9.21(2)(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Summary of the Key Matters Discussed at the Annual General Meeting is published on the Company's website, as soon as practicable after the conclusion of every Annual General Meeting.</p>

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

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Not applicable as the Company is not a Large Company as defined by the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board recognises the significance of the Annual General Meeting as a platform for direct and meaningful communication between the Board and the Company’s shareholders. As such, the Board strives to ensure that shareholders are accorded with sufficient time to consider the resolutions that will be discussed and decided upon at the Annual General Meeting.</p> <p>In this regard, the Company endeavours to apply the practice of providing the Notice to the Annual General Meeting at least 28 days prior to the Annual General Meeting going above and beyond Section 316(2) of Companies Act 2016 and Paragraph 7.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which call for a 21 days’ notice period. However, due to the COVID-19 pandemic which resulted in movement restrictions, the Company issued a notice period of 21 days’ notice period but was unable to issue a 28 days’ notice period for its Annual General Meeting in 2020. Nevertheless, for its Annual General Meeting in 2021, the Company issues a 28 days’ notice period.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board ensures that the full complement of Directors attend every General Meeting and all Chairmen of Board Committees are required to be prepared to answer all questions addressed to them. The Board including the Chairmen of the Board Committees are pleased to address questions received remotely from shareholders. Similar to the Annual General Meeting in 2020, the Annual General Meeting in 2021 will be conducted on a fully virtual basis using technology or method that allows remote participation of Directors and shareholders and their appointed proxies.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company held a fully virtual Annual General Meeting in 2020 to ensure safe-distancing requirements were complied with in the wake of COVID-19 pandemic. The Company will continue to hold a fully virtual Annual General Meeting in 2021 and will leverage technology to facilitate communication and engagements with shareholders while enabling voting in absentia and shareholders’ participation.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
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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