

# Statement on Corporate Governance

I am pleased to report on the activities of the Nomination and Corporate Governance Committee for the year ended 31 December 2023. This Statement on Corporate Governance forms part of the Directors' Report.

## Compliance with the UK Corporate Governance Code

AEP is committed to business integrity, appropriately high ethical standards and professionalism in all its activities and operations. This includes a commitment to high standards in corporate governance relating in particular to appropriate systems and controls adopted at a senior level of management of the Group and operation of the Board. The benchmark standards in this regard are set out in the UK Corporate Governance Code 2018 ('the Code'), which was published in July 2018 which forms part of the Listing Rules of the London Stock Exchange. The Code is available from the Financial Reporting Council's ("FRC") website at [www.frc.org.uk](http://www.frc.org.uk). The Company is in compliance with the Code except for Provisions 19, 21, 32 and 39. Provision 19 says that the chair should not remain in the post beyond nine years from the date of his appointment to the Board. Mr. Jonathan Law was an Independent Non-Executive Director for nine years before his appointment as Chairman of AEP on 8 July 2022. This provision does however allow a Non-Executive director to step up as Chairman for a limited time to facilitate effective succession planning and the development of a diverse board. The Board is of the opinion that Mr. Jonathan Law should continue his role as the Chairman whilst the estate of the late Madam Lim has not been finalised. AEP was not in compliance with Provision 21 of the Code which provides for a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors including having externally facilitated board evaluation at least once every three years. All evaluations of performances were performed internally by the Chairman (see page 81). The Company is considering to engage an external consultant to evaluate the performance of the Board in 2024. The Company has not complied with Provision 32 which state that before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months due to the lack of qualified independent directors in the Company. Provision 39 provides that contract period of directors should be one year or less. Currently the contracts for AEP directors are mainly for a 2-year term for administrative reasons but can be terminated with one or two months' notice.

Monitoring compliance with the Code is the responsibility of the Nominations and Governance Committee. All Committee terms of reference have been reviewed to reflect the requirements in the Code.

### Board leadership and company purpose.

The core objective of the Board is to create and deliver the long-term sustainable success of the Company, generating value for shareholders and contributing to the wider society in a way that is supported by the right culture and behaviours.

See page 13 to 14 for more details on the business model and strategy.

### Division of responsibilities.

The Board has agreed a clear division of responsibilities between the running of the Board and running the business of the Group, which is supported by the corporate governance framework. Responsibilities are clearly defined in role statements to ensure that no one individual has unrestricted powers of decision-making and no small group of Directors can dominate the Board's decision-making.

Committee terms of reference determine the authority given to each of the Board's Committees.

For more details on Board composition, leadership and role statements see pages 75 to 76, 78 to 83.

### Composition, succession and evaluation.

The Board, with the support of the Nominations and Governance Committee, keeps under constant review the composition of the Board and its Committees, succession planning, diversity, inclusion and governance-related matters.

The Board undertakes a review of its effectiveness and that of its Committees and Directors annually.

### Audit, risk and internal control.

The Board is accountable to stakeholders for ensuring that the Group is appropriately managed. The Board sets the Group's risk appetite and satisfies itself that financial controls and risk management systems are robust, while ensuring the Group is adequately resourced. The Board receives regular updates on audit, risk and internal control matters with detailed oversight undertaken by the Audit Committee and its findings are reported to the Board.

See pages 84 to 87 for more details on audit, risk management and internal control and the work of the Audit Committee.

### Remuneration.

The Board, supported by the Remuneration Committee, ensures that the remuneration policies are designed to support strategy and promote long-term sustainable success. Executive remuneration is aligned to the successful delivery of the Company's long-term strategy.

See pages 89 to 91 for more details on the remuneration policy and implementation of the policy.

Further details demonstrating how the Principles and Provisions of the Code have been applied can be found throughout the corporate governance report, the Directors' report, each of the Board Committee reports and the Strategic report.

The Financial Reporting Council ("FRC") is responsible for the publication and periodic review of the UK Corporate Governance Code and this can be found on the FRC website [www.frc.org.uk](http://www.frc.org.uk).

See page 78 for more details on Board effectiveness. The activities of the Nominations and Governance Committee can be found on page 82.

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Disclosure required by Listing Rules on diversity, with respect of gender and ethnicity can be found in page 62 of the Strategic Report. Information about share capital required by paragraph 13(2)(c), (d), (f), (h) and (i) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is in page 88.

## **Relationship Agreement with Controlling Shareholder**

The UK Listing Rules require a premium listed issuer with a controlling shareholder to have in place a relationship agreement with the controlling shareholder. The mandatory requirement for the relationship agreement is intended to prevent controlling shareholders from exercising their influence in a way that is improper or unfair to minority shareholders. The requirement is not intended to prevent a controlling shareholder from engaging fairly with an issuer or legitimately disagreeing with the issuer and neither are they intended to prevent shareholders from holding board positions. AEP Plc has identified all controlling shareholders and regarded its major shareholder, Genton International Limited ("Genton") as the only controlling shareholder. In this respect, the Company entered into a relationship agreement with Genton on 14 November 2014. The agreement is available for inspection by the shareholders upon request from the Company Secretary. The Board has reviewed this agreement with the controlling shareholder in 2020 and concluded that AEP Plc has complied with the independence provisions included in the agreement and that, in so far as it is aware, those independence provisions have been complied with by Genton.

## **The Board**

The Board is responsible for the proper leadership of the Company for the long-term success of the Company and Group. The Board is supplied with relevant, timely and accurate information for review prior to each meeting to enable them to discharge their duties. The Audit Committee is responsible for the integrity of the financial information and this is achieved by interacting with the management and with the internal auditors. The Board has identified and formally adopted a schedule of key matters that are reserved for its decision, including the annual fiscal and capital budgets, interim, preliminary and final results announcements, dividends, the appointment of directors and Company Secretary, circulars to shareholders, Group treasury policies, acquisitions and disposals. Other matters are delegated to committees, the details of which are set out below.

AEP is led by a strong and experienced Board of Directors (see biographical details set out on page 75 to 76). During 2023 the Board comprised of five directors, the Non-Executive Chairman, one Executive Director and three Non-Executive Directors, of which two are considered by the Board to be Independent. AEP has complied with the Provision 11 of the UK Code which provides that at least half the board, excluding the chair, should be Non-Executive directors whom the board considers to be independent.

Dato' John Lim who was appointed as the Executive Director, Corporate Finance and Corporate Affairs on 1 September 2010 was redesignated as the Executive Director and the de-facto CEO from August 2022. Prior to 1 September 2010, Dato' John Lim was the Senior Independent Non-Executive Director. The redesignation was made in line with his greater role in the Group going forward and in his capacity as the de-facto CEO.

The Nomination and Corporate Governance Committee will monitor continuously the future leader and talents within the Group as well as outside the Group. This is essential to ensuring a continuous level of quality in management, in avoiding instability by helping to mitigate the risks which may be associated with unforeseen events, such as the departure of a key individual, and in promoting diversity and inclusion. The Company continues to have a systematic approach to succession planning for Non-Executive directors. The Chairman would normally have personal dialogue with individual directors at least once a year to discuss the business of the Group in general and their plans, if any, to facilitate succession planning especially for directors nearing nine years of service and for evaluation of their performance.

## **Independence of the Non-Executive directors**

The Board has evaluated the independence of each of its Non-Executive directors. Following this assessment, the Board has determined that, throughout the reporting period, two of its Non-Executive directors, who were appointed for specified terms of office, were independent, based above all on their objectivity and integrity. The terms and conditions relating to the appointment of the Non-Executive directors are available from the Company Secretary.

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In arriving at its conclusion, the Board considered the factors set out in Provision 10 of the UK Code including, inter alia, whether any of the Non-Executive directors:

- has been an employee of the Group within the last five years;
- has, or had within the last three years, a material business relationship with the Group;
- receives additional remuneration from the Group apart from a director's fee;
- has close family ties with any of the Group's advisors, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- has served more than nine years on the Board; or
- represents a significant shareholder.

The UK Code acknowledges that a director may be regarded as independent notwithstanding the existence of any of the above factors, provided a clear explanation is given.

The Independent Non-Executive directors of the Company have a wide range of business interests beyond their position with the Company and the rest of the Board agree unanimously that they have shown themselves to be fully independent.

## Senior Independent Non-Executive Director

As required under Code 12, Mr. Lim Tian Huat, an experienced Chartered Accountant acted in the capacity of the Senior Independent Non-Executive Director from 8 May 2015.

## Operation of the Board

A schedule of duties and decisions reserved for the Board and management respectively has been adopted. The Audit, Nomination & Corporate Governance and Remuneration Committees have written terms of reference which are available for inspection upon request from the Company Secretary. The terms of reference are also available for download from the Company's website under Sustainability - Corporate Governance section.

Unless warranted by unusual matters, the Board normally meets two to three times each year. Otherwise, all other matters are dealt with by written resolution and telephone conference. In 2023 however, there were six formal Board meetings attended as follows: -

	Attendance
Jonathan Law Ngee Song (Non-Executive Chairman)	6/6
Dato' John Lim Ewe Chuan	6/6
Lim Tian Huat	6/6
Marcus Chan Jau Chwen	5/6
Farah Suhanah Tun Ahmad Sarji	6/6

Agenda and minutes of previous meetings were circulated prior to meetings.

The Independent Non-Executive directors met on their own during 2023. Telephone discussions between the Chairman and the Non-Executive directors also took place outside these meetings.

In 2023, the Board followed the Group results and activities of the various subsidiaries by means of monthly reports prepared by the senior management teams in Malaysia and Indonesia. The Board deliberated on the periodic results and measured its performance against the approved budgets and previous year achievements. It also benchmark its performance against listed plantation companies in the UK, Indonesia, Malaysia and Belgium, with operations primarily in Indonesia.

During the year, the Board set up an Executive Committee which is made up of the Chairman, the Executive Director and a Non-Independent Director who received detailed briefing from the management on a quarterly basis on the Group's performance and significant corporate issues that need addressing. In addition, they followed the development in Indonesia through monthly minutes of senior management operational meetings. The Board

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believes that given a large part of the Group's revenue is derived from Indonesia, a closer supervision at a higher level will enhance governance to achieve the strategic objectives of the Group. The senior management operational meetings are attended by the Group Chief Operations Officer and Group Accountant from Malaysia and the management team based in Indonesia which includes the President Director, the Chief Operating Officer, the Finance Director and the Engineering Director. Other senior managers are regularly invited to brief the Executive Committee or the Audit Committee on significant issues relating to Internal Audit, ongoing legal cases, sustainability and risk management with follow up actions. The annual budget for 2024 was tabled and following deliberations were approved by the Board.

During the year, the Executive Director had dialogues with the top tier auditing firms in the UK, together with a few from the second tier to seek a replacement for BDO LLP who are no longer eligible to continue after the 2023 audit, after having acted in the capacity of the statutory auditors for the maximum permitted term. After an extensive search, the Board approved the recommendation for Mazars to seek appointment as the statutory auditors for AEP for the year ending 31 December 2024 at the forthcoming AGM on 24 June 2024.

During the year, the Board updated and revised the anti-corruption and bribery policies and dealing documents and also formed a Disclosure Committee and Disclosure Policy in line with suggestions from its Advisors. The Board was briefed of FCA's Listing Rules and Disclosure Guidance and Transparency rules to ensure disclosure procedures are observed in order to avoid any risk of creating a false market in the Company's shares and to avoid the Group being prejudiced by the release of confidential or inaccurate information. The Board also approved the amendment of Article 98 of its Article of Association, increasing the aggregate remuneration which can be paid to its Non-Executive directors as described on page 84 of the Remuneration Report.

The Group has concluded the disposal of its three non performing plantations in South Sumatera namely KKST, ELAP and RAA for \$8.5 million on 5 July 2023. The handover of these plantations was completed at the end of September 2023. The disposal of the South Sumatera plantations will enhance the performance of the Group, as it will no longer has to fund losses from these plantations. The Group also expects the average yield of fruits per hectare to improve next year, without the three non performing plantations.

The Presidential Regulation No.10 of 2021 allows foreign companies operating in Indonesia to have 100% ownership in palm oil companies. With this AEP further consolidated its holdings in its Indonesian subsidiaries by buying back shares in nine subsidiaries from three minority shareholders for a total consideration of \$87.8 million. These acquisitions are expected to enhance future earnings and maximise shareholders value. With these acquisitions, AEP owns more than 99% of its subsidiaries in Indonesia, except for one reluctant shareholder who owns a small percentage in one subsidiary.

The Company on 24 August 2023, announced that it has entered into an irrevocable commitment with Panmure to manage a programme to repurchase up to 396,360 ordinary shares of 25 pence each in the capital of the Company representing approximately 1% of the Ordinary Shares in issue. The share buyback began on 25 August 2023 and the amount to be spent on the share buyback is limited to a maximum aggregate consideration of £3.2 million for a period up to the forthcoming AGM scheduled on 24 June 2024. The share buyback programme is managed by Panmure through a non-discretionary programme, re-purchasing the Company's ordinary shares on its behalf and within certain defined parameters. Panmure will make trading decisions in relation to the buyback independently of the Company within the programme terms. Share purchases will take place in open market transactions and may be made from time to time depending on market conditions, share price and trading volume. The programme is in accordance with the Company's general authority to purchase a maximum of 3,963,637 Ordinary Shares, granted by its shareholders at the AGM on 16 June 2023. At the close of the financial year, AEP had repurchased 75,926 Ordinary Shares at a cost of £0.54 million with an average price of £7.15 per Ordinary Share. Treasury Shares stands at a total of 415,826 Ordinary Shares as at 31 December 2023.

During the year the Board allocated \$10 million to a fund manager to invest in structured products, aiming for a higher return. These structured products are nevertheless capital protected as the Board exercised prudence, amidst generally low risk appetite. Various operating companies are also in the midst of opening custodian accounts in Indonesia and Singapore to invest their surplus working capital primarily in investment grade US dollar

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denominated bonds with portfolios spread across geographical, sector and industries for diversification. The Board, after meeting with the bank's management team from Singapore and Malaysia, has initially approved an allocation of \$30 million for this purpose.

In determining the level of dividends to be paid to our shareholders, the Board has taken a balanced approach to the requirement of funds in the Company for expansion in planted area as well acquisitions of land or plantations, but at the same time cognisant of shareholders' wishes to have dividends as a form of income. In the light of the results achieved in the year, together with the unutilised portion of the allocated funds for the share buyback programme, the Board has declared a final dividend of 15.0cts per share, in line with our reporting currency, in respect of the year to 31 December 2023. With an interim dividend of 15cts per share already paid, the total dividend declared for the year ended 31 December 2023 will be 30.0cts (2022: 25.0cts), an increase of 20% from last year.

The Board reviewed the risks management process and noted the probable financial impact on the operation of the Group should risks of climate change materialise. Despite the reported increase of Covid-19 cases during the year, the Board has lowered the risks of business interruptions associated with Covid-19 in view of higher vaccination rates across Indonesia and Malaysia.

AEP's plantations in Indonesia and Malaysia are in compliance with national sustainability practices i.e. ISPO and MSPO. However, with the increasing deforestation regulations, especially from the EU, the Board has decided that it is timely in 2024 to start the process of applying for membership of the Roundtable on Sustainable Palm Oil ("RSPO"). This is AEP's commitment to a more robust and globally accepted certification for certified sustainable palm oil, which would address concerns over EUDR and other sustainability issues. AEP has this year begun the RSPO membership application process, and has appointed accredited consultants to carry out a Land Use Change Analysis ("LUCA") as a first step in the application procedure. The LUCA will cover satellite mapping, field verifications, interviews with stakeholders and surrounding communities to determine potential High Conservation Value ("HCV") and High Carbon Stock ("HCS") areas for restoration and remediation. Upon the completion of LUCA and successful application for RSPO membership, AEP will begin certifying all our facilities within a 5-year timeline. A preliminary study on RSPO gap analysis conducted by our external consultants indicated it will take a substantial amount of costs and resources, up to \$18 million, to certify the entire Group and be a full member of RSPO.

Each Board member has access to the impartial advice and services of the Company Secretary, who is responsible to the Board for ensuring that appropriate procedures are followed. Where necessary, the Board members may seek independent advice from the Company's brokers, including legal counsel at the Company's expense. The Company maintained Directors' and officers' liability insurance throughout 2023.

Non-Executive directors are normally appointed for two-year terms renewable on the recommendation of the Board. To maintain the vitality of the Board, the Company specify fixed terms of office for Non-Executive directors. However, the Board will review the position of each Director for the yearly re-election under the Code. The re-election of the independent Non-Executive directors have always been on the basis of gaining a majority of the independent shareholders vote in addition to the total shareholders vote since this requirement was first introduced.

In 2023 the Board conducted a review of its performance by discussion. It concluded that the Board was performing effectively and that the Board members have the complementary skills appropriate to propel the Group in its strategic direction and for challenges ahead. No other major issues arose from this review. The Company does not appoint an external consultant to conduct a formal and rigorous evaluation of the Board's performance as the Board believes that it had performed commendably going by the financial results achieved over the years when compared to its peers.

Following a review of the internal control and risks management in April 2024 and in the absence of any reported failure and weaknesses which the Board considered significant, it concluded that these remain effective and sufficient for their purpose.

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In connection with the statutory provisions regarding directors' conflict of interest, the Directors must avoid a situation in which the Directors have, or can have a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company. The duty is not infringed if the matter has been authorised by the Directors. Under the Articles, the Board has the power to authorise potential or actual conflict situations. The Board maintains effective procedures to enable the Directors to notify the Company of any actual or potential conflict situations and of those situations to be reviewed and, if appropriate, to be authorised by the Board. Directors' conflicts situation if it arises is reviewed annually and authorisation is recorded in the Board minutes.

## Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee had two meetings in 2023 which were attended as follows:

	Attendance
Lim Tian Huat (Chairman of Committee)	2/2
Farah Suhanah Tun Ahmad Sarji	2/2
Marcus Chan Jau Chwen	2/2

The policy on diversity is described on page 62 of the Strategic Report.

## Activities

During the year, the Nomination Committee reviewed and deliberated on the Statement of Corporate Governance for inclusion in the Annual Report. It also recommended to extend the contract of Mr. Lim Tian Huat for a period of one year to May 2024 and by then, he would have served the Board for nine years. Under the Code, Mr. Lim would no longer be considered independent. With a number of directors contracts expiring by next year (See page 90), the Nomination Committee in its attempt to refresh the leadership of the Board, has been identifying candidates with appropriate skills, experience as well as time to meet board to join AEP's Board. On the subject of succession, the Committee has also been active in searching for suitable candidates for various senior management positions in the Group as some of them have indicated of their desire to retire in the coming years.

The Committee also arranged for a formal training programme conducted by external consultants in January 2024 to update all the directors on their responsibilities and corporate governance on ESG matters. As in the past, the Board will not hesitate to arrange training on specific matters where it is thought to be required.

## Relations with shareholders

All shareholders may attend the Company's AGM and put questions to the Board and such questions must be with at least twenty working days' notice. At the conclusion of the AGM, a summary of votes for each resolution is reported and made available at the company's website as soon as practicable after the meeting. Shareholders will not receive a hard copy of the proxy form for the 2024 AGM. Instead, shareholders will be able to vote electronically using the link <https://www-uk.computershare.com/investor/>. For more details, please refer to online submission of proxy voting on page 8 of the Annual Report.

The Executive Director regularly meets with principal shareholders during the year to understand their concerns and views on governance and performance. The views of the shareholders are communicated to the Board to ensure that it is mindful of the shareholders' sentiment and issues arising at all times.

At the Company's AGM held on 16 June 2023, a significant proportion of shareholders did not support resolution 12 to authorise the directors to allot up to one third of the issued ordinary share capital. The authority sought by the Company is in line with the maximum recommended levels contained within relevant share capital management guidelines and prevailing voting guidelines of leading corporate governance agencies. The Company only retains these authorities to provide flexibility in the capital management of the Company and would only exercise these authorities if it is considered in the best interests of shareholders. Following the AGM, the Company's Executive Director, subsequently consulted and engaged with a group of shareholders who voted against the resolution in order to hear their views and better understand their concerns. The Board is grateful to all shareholders who provided feedback on this resolution. The common theme apparent from this engagement was their concern over dilution and they would prefer not to grant general or annual authorities in respect of changes in equity capital, but instead to review approval when required for specific transactions. AEP is committed to maintaining an open and

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constructive dialogue with all the Company's shareholders and will continue to engage with those shareholders for whom this resolution present concerns.

The annual report, interim report and trading statements are intended to keep the shareholders informed as to the progress in the operational and financial performance of the Group. The Company maintains a corporate website at <https://www.angloeastern.co.uk/>. This website has detailed information on various aspects of the Group's operations. The website is updated regularly and includes latest Company announcements, information on the Company's share price, the price of crude palm oil, foreign currency movement of Indonesian Rupiah against US dollar and environmental, social and governance matters.

The Company's results and other news releases issued via the London Stock Exchange's Regulatory News Service are published on the "Investors Information" and "News" sections of the website and together with other relevant information concerning the Company and the Industry, are available for downloading. The website was upgraded recently to enable shareholders and investors to select and receive e-mail alerts from the Company on the selected regulatory news to follow the development of the Company.

## **Environmental and corporate responsibility**

In 2004 a group of growers, processors, retailers and wildlife and conservation groups founded the "Roundtable for Sustainable Palm Oil", known as RSPO, to codify and promote best practices in the industry. Although AEP is not a member of the RSPO, the Group's management and Directors take a serious view of their environmental and social responsibilities and are fully committed to the principles developed by RSPO. Many of these principles overlap with ISPO and MSPO of which compliance is mandatory for AEP. These principles cover eight headings as follows:

- transparency;
- compliance with local laws and regulations;
- commitment to long-term economic and financial viability;
- use of appropriate best practices by growers and millers;
- environmental responsibility and conservation of natural resources and biodiversity;
- responsible consideration of individuals and communities affected by growers and mills;
- responsible development of new plantings; and
- commitment to continuous improvement in key areas of activity.

Within these headings are 40 detailed principles. Among the most important are:

- not to remove primary forest;
- not to use fire for clearing areas designated for new or replanting;
- to follow accepted soil and water conservation practices;
- to use agrochemicals in ways that do not endanger health or the environment and to promote non-chemical methods of pest management;
- to leave wild areas for wildlife corridors, water catchment and riparian protection;
- provide full treatment of mill effluent water;
- ensure the wishes of local communities and individuals are taken account of; and
- to pay to individuals with residual rights over land only freely agreed compensation, in addition to following government land regulations.

AEP seeks to comply with these principles in all areas of its activities. Some of the measures taken for environmental protection are disclosed and updated in the company's website from time to time.