

Statement on Corporate Governance

Application of 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 bench-mark standards in this regard are set out in the UK Corporate Governance Code ('the Code'), as most recently revised in October 2014 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. Where provisions of the Code were not met during 2016, particular comment is made in the statements below and in the Directors' remuneration report on pages 45 to 49.

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 by 16 November 2014. 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. AEP Plc has complied with the independence provisions included in the agreement and that, so far as it is aware, those independence provisions have been complied with by Genton.

The Board

AEP is led by a strong and experienced Board of Directors (see biographical details set out on page 37). During 2016 the Board comprised the Non-Executive Chairman, one Executive Director and two Non-Executive Directors, both of whom are considered by the Board to be Independent.

Dato' John Lim Ewe Chuan was appointed as Executive Director, Corporate Finance and Corporate Affairs on 1 September 2010. Prior to 1 September 2010, Dato' John Lim was the Senior Independent Non-Executive Director.

Madam Lim Siew Kim was appointed as Non-Executive Chairman on 31 January 2011. Neither external search consultancy nor open advertising was used for the appointment. The Nomination and Corporate Governance Committee is of the view that Madam Lim, who owns 52% of the Company's shares and was the Chairman of the Company from 1993 to 1998, with her experience in plantation is an appropriate candidate for the position. The other members of the Board are satisfied that through the specific powers reserved for the Board, and given the presence of the Independent Non-Executive Directors, there is a reasonable balance of influence.

In compliance with the Code, Madam Lim who has been a Non-Executive Director for more than 10 years will submit herself for re-election every year.

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, both of its Independent Non-Executive Directors, who were appointed for specified terms of office, were independent, base 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 the Combined 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 remuneration from the Group other than 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 Combined Code acknowledges that a Director may be regarded as independent notwithstanding the existence of any of the above factors.

The Independent Non-Executive Directors 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

Mr. Lim Tian Huat, an experienced Chartered Accountant acted in the capacity of 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, Remuneration and Nomination & Corporate Governance Committees have written terms of reference which are available for inspection upon request from the Company Secretary.

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. During 2016 there were two Board meetings. The meetings were attended by all directors except for Madam Lim who attended only one Board meeting. Agenda and minutes of previous meetings were circulated prior to meetings.

The Independent Non-Executive Directors met on their own during 2016. Telephone discussions between the Chairman and Non-Executive Directors also took place outside these meetings.

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, final dividends, the appointment of Directors and the Company Secretary, circulars to shareholders, Group treasury policies and acquisitions. Certain other matters are delegated to Board committees, the details of which are set out below.

During 2016, the Board followed the Group results and the development of the activities of the various subsidiaries by means of reports prepared by the management in Malaysia and Indonesia. It received further reports and minutes of Executive Committee meetings in Indonesia chaired by a senior manager from Malaysia. The objectives of the Executive Committee are to resolve operational issues and to drive the performance budget set at the beginning of every year by the Board. The other members of the Executive Committee are made up of senior members of the management team based in Indonesia which amongst others includes the Chief Executive Officer, the Chief Operating Officers, and the Finance Director.

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The Board during the year sought recommendation from professionals on treasury function that may help enhance the returns on its surplus cash.

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 including legal counsel at the Company's expense. The Company maintained Directors' and officers' liability insurance throughout 2016.

Non-Executive Directors are appointed for two year terms renewable on recommendation of the Board. To maintain the vitality of the Board, the Directors specify fixed terms of office for Non-Executives. However, the Board will review the position of each Director for the yearly re-election under the Code.

Dato' John Lim, the only Executive Director on Board sits on the Audit, Remuneration and Nomination Committees for 2016. The UK Corporate Governance Code 2014 provides for smaller companies like AEP to have two independent Non-Executive Directors in the Audit and Remuneration Committees and a majority independent Non-Executive Directors in the Nomination Committee. The Code does not expressly provide for the exclusion of the Executive Director in the Audit and Remuneration Committees. In practice companies would normally exclude the Executive Director from membership so as not to taint the independence of both the Audit and Remuneration Committees. However the Board felt strongly that given the small composition of the various Committees, they would benefit from Dato' John Lim's wealth of commercial and audit experience. It was also felt that Dato' John Lim being the only Director based in London could only adequately represent the Company in any shareholders and investor meetings if he sits in the three Committees. The Board also believes that the Non-Executive Directors, being professionals in their own areas of expertise would maintain their impartiality and independence by their majority presence in all three Committees.

In 2016 the Board conducted a review of its performance by discussion. It concluded that the Board is 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.

Following a review of the internal control and risks management in April 2017 and in the absence of any reported failing and weaknesses which the Board considered significant, it concluded that these remain effective and sufficient for their purpose.

Nomination Committee

The Nomination and Corporate Governance Committee currently comprises Mr. Lim Tian Huat (Chairman), Dato' John Lim Ewe Chuan and Mr. Jonathan Law Ngee Song. The committee had two meetings during 2016, attended by all members.

The policy on gender diversity is described in page 23 of the Strategic Report.

During the year, the Nomination Committee reviewed and deliberated on the Statement of Corporate Governance for inclusion in the Annual Report. It also met to discuss and approve the extension of contract of one Director. During the year the Nomination Committee deliberated and recommended to the Board the adoption of the Dealing Procedure Manual. This is in line with the Financial Conduct Authority announcement on 3 July 2016 that the Market Abuse Regulation ("MAR") will replace the Model Code. The dealing manual would assist the Company to comply with its obligations under the MAR and to ensure that the Company has necessary systems and procedures in place to assist persons discharging managerial responsibilities which include all directors and employees of the Company and its subsidiaries. MAR prescribed specimen dealing code for companies to adopt which can be amended to reflect their own individual circumstances and requirements in the buying and selling of Company's shares. MAR applies to all companies listed on the main market of London Stock Exchange and Alternative Investment Market. MAR is designed to ensure that persons do not misuse or place themselves under suspicion of misusing information about the Group which is not public.

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Relations with shareholders

The Executive Director contacted and met certain principal shareholders during the year to understand their concerns and at all times are pleased to speak to and meet any shareholder. The views of the shareholders were communicated to the Board to ensure that it is mindful of the shareholders' sentiment and issues arising at all times. Given the dispersion of Directors and shareholders it is not possible for every Director to meet shareholders. A member of the Audit, Nomination and Remuneration Committees will be available at the 2017 AGM. It is the intention of the Board that the Company would engage with identifiable shareholders who have voted against Company's resolutions in the past.

The annual report, interim report and interim management 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 <http://www.angloeastern.co.uk>. This website has detailed information on various aspects of the Group's operations. The website is updated regularly and includes information on the Company's share price and the price of crude palm oil.

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