

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Fraser & Neave Holdings Bhd (“F&NHB” or “Company”) recognises the importance of strong corporate governance, and has in place sound policies, business practices and internal controls to help safeguard its assets and shareholders’ interests while building a sustainable business. The Company is guided by the principles of the Malaysian Code on Corporate Governance (“CG Code”) and the Corporate Governance Guide issued by Bursa Malaysia Berhad in its corporate governance practices, and continues to strive towards achieving a high standard of corporate governance.

This statement provides an overview of the Company’s corporate governance practices throughout the financial year ended 30 September 2019 (“Financial Year 2019”) and is to be read together with the Corporate Governance Report 2019 (“CG Report”), which is available for reference on the Company’s website at www.fn.com.my/investors/ar2019. The CG Report describes how the Company has applied each practice of the CG Code, any departure thereof and alternative measures taken, where applicable during the financial year under review.

PRINCIPLE A Board Leadership and Effectiveness

(refer to details of Principle A on pages 098 to 105)

PRINCIPLE B Effective Audit and Risk Management

(refer to details of Principle B on pages 106 and 107)

PRINCIPLE C Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

(refer to details of Principle C on page 107)



BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1. BOARD DUTIES AND RESPONSIBILITIES

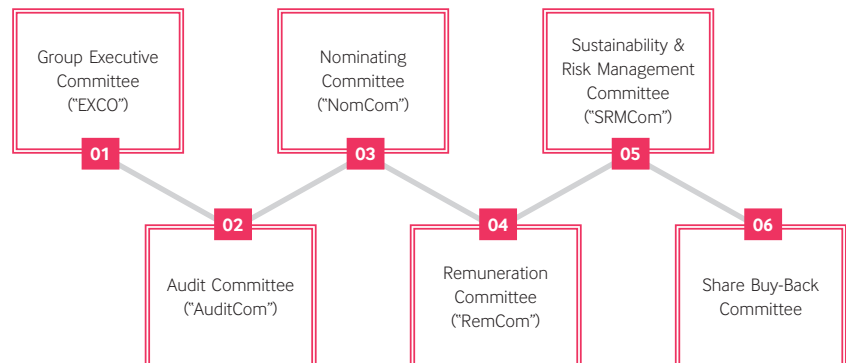
The Board provides entrepreneurial leadership, sets strategic directions and oversees the business affairs of the Group and management effectiveness. The Board is guided by a Board Charter, which sets out the duties and responsibilities of the Board. The Board Charter further defines the respective roles of the Chairman of the Board, the Chief Executive Officer (“CEO”), the Non-Executive Directors and the Senior Independent Director. The Board Charter is available for reference on the Company’s website.

The Group has two sets of Charts of Authority (“COA”) i.e. Board COA and Management COA, which set out matters reserved for the Board’s approval and matters delegated to the Board Committees and management. The delegation of authority to the Board Committees, the CEO and senior management are set out in the Terms of Reference (“TOR”) of the Board Committees, the Board COA and the Management COA respectively.

The Board conducts regular review of the Charter and COAs to ensure they remain consistent with the Board’s objectives and in line with the applicable rules, laws and regulations.

2. BOARD COMMITTEES

The Board has established six Board Committees, namely:



all of which operate within their respective TORs, which are available for reference on the Company’s website.

The Board Committees review matters within their TORs and make recommendations to the Board for approval. The Board is kept apprised of the activities of the Board Committees through circulation of minutes of meetings of the Board Committees and update on meeting deliberations and outcomes by the respective chairmen of the Board Committees at meetings.

3. CHAIRMAN AND CEO

The positions of the Chairman of the Board and the CEO are held by different individuals and their roles are clearly defined in the Board Charter.

**Y.A.M.
Tengku Syed
Badarudin
Jamalullail**
Chairman

The Chairman of the Board is responsible for ensuring the Board's effectiveness and conduct; promoting constructive and respectful relations between Directors, and between the Board and management; and ensuring a smooth, open and constructive dialogue between the Board and shareholders.

Mr. Lim Yew Hoe
Chief Executive
Officer

The CEO of the Company is responsible for the day-to-day management of the Group, organisational effectiveness and implementation of Board policies, strategies and decisions. The CEO together with the management team manages the business of the Group in accordance with the Board's strategic plans, instructions and directions.

4. COMPANY SECRETARY

The Board is supported by a Company Secretary who has a legal qualification and is qualified to act as company secretary under the Companies Act 2016. The Company Secretary advises the Board on updates relating to new statutory and regulatory requirements of the relevant acts, rules and regulations. Besides, he also facilitates compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the relevant acts and regulations, promotes high standards of corporate governance, facilitates communication between the Board and management and acts as secretary to the Board Committees and the Company's subsidiaries.

The Company Secretary organises and attends meetings of the Board, Board Committees and shareholders and ensures that meetings are properly convened, minutes of meetings and records of resolutions passed are maintained accordingly at the registered office.

5. ACCESS TO INFORMATION AND ADVICE

The Board's rights to all information pertaining to the Group and independent access to senior management for information and clarification in furtherance of its duties are set out in the Board Charter. Besides, the Board Charter also provides for the Directors, either as a group or individually to seek and obtain independent professional advice where necessary, at the Company's expense, to discharge their duties effectively.

Directors have unrestricted access to senior management for information or updates regarding the Group. Senior management provides Directors with the required information or updates either personally or at meetings.

The Board believes that effective deliberation and decision-making process are highly dependent on the quality of information furnished by management. A formal agenda together with meeting papers are forwarded to all Directors five business days before Board and Board Committee meetings for Directors to be prepared to deal with matters arising from such meetings and to enable them to make informed decisions. Also, all meeting papers are shared with Directors via electronic means.

Management team and external advisers are normally invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda.

6. FORMALISED ETHICAL STANDARDS

The Group has in place a Code of Business Ethics and Conduct which sets out the standards and ethical conduct expected of all employees in the course of their employment with the Group. Directors, officers and employees are required to observe and maintain high standards of integrity in carrying out their roles and responsibilities and to comply with laws and regulations and the Group's policies.

Business partners of the Group share the responsibilities in applying the fundamental principles of integrity, respect and excellence in all aspects of the Group's business practices. They are refrained from any improper conduct, dishonest or unethical behaviour in their business dealings with all parties including employees of the Group. In addition, they are also committed to compliance with all laws and regulations of the countries where they have business dealings and the code of conduct of the Group.

The Group also has a Whistleblowing Policy with a well-defined process to provide an independent feedback channel through which staff may, in confidence and in good faith, raise concerns about possible improprieties in matters of financial reporting and other matters. Besides, a Fraud Control Policy is in place to protect the revenues, assets and reputation of the Group from loss or damage due to fraud.

More details of the Code of Business Ethics and Conduct, Whistleblowing Policy and Fraud Control Policy are set out in the Statement on Risk Management and Internal Control. The said code and policies are published on the Company's website.

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7. STRATEGIES PROMOTING SUSTAINABILITY

The Board is responsible for formulating on-going programmes to promote sustainability, where attention is given to environmental, social and governance aspects of business which underpins sustainability.

The SRMCom provides oversight and approves strategic initiatives and policies for the sustainability agenda of the Company and reports to the Board regularly. The SRMCom, at its quarterly meetings, receives regular updates on the Group's sustainability agenda.

Details of the corporate sustainability of the Group are presented in the Sustainability Report.

II. BOARD COMPOSITION

1. BOARD COMPOSITION

The Company's Constitution provides for the Board to compose of a maximum of eleven Directors.

Y.Bhg. Datuk Kamaruddin bin Taib was appointed as an Independent Non-Executive Director on 8 November 2018. Puan Aida binti Md Daud was re-designated as an Independent Non-Executive Director on 10 December 2018 following her cessation as a nominee director of Permodalan Nasional Berhad.

Following the aforesaid changes, the present Board comprises eleven Non-Executive Directors whose varied skills and vast experience are relevant to the business operations of the Group.

The mix of Directors on the current Board is broadly balanced to reflect the interests of the controlling shareholder and minority shareholders. Of the eleven Directors, six are Independent Directors and five are Non-Independent Directors including the Chairman and four nominees of the controlling shareholder, Fraser and Neave, Limited.

2. INDEPENDENCE OF DIRECTORS

The Board recognises the importance of independence and objectivity in its decision-making process. The Independent Directors who are professionals of high calibre and integrity and possess in-depth knowledge of the Group's business, bring their independent and objective views and judgement to Board deliberations.

The Company has a Policy on Independence of Directors, which specifies the considerations taken into account by the Board to assess the independence of each Independent Director. The policy sets out the test of independence that will be used to determine the independence of Directors and the disclosure of information in

the Company's annual report. Independent Directors will provide the Board with an annual confirmation of their independence based on the criteria set out in the policy. The Board through the NomCom will assess the independence of Directors upon appointment and annually and will re-assess determinations of independence when any new interests or relationships are disclosed by Directors.

During the Financial Year 2019, the Board through the NomCom engaged an external consultant, Aon Hewitt Singapore Pte Ltd to perform a self/peer evaluation of all Directors including the Independent Directors and was satisfied that the Independent Directors continued to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders.

The Board also recognises that an extended time on the Board may impair a Director's independence and takes cognisance of the recommendations of the CG Code regarding tenure of Independent Directors. The aforesaid policy limits the tenure of an Independent Director to nine years. Upon completion of the nine years, an Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director.

3. BOARD DIVERSITY

The Board acknowledges the importance of Board diversity to the effective functioning of the Board. The Board has adopted a Board Diversity Policy, which is available on the Company's website.

Differences in thought, perspective, knowledge, skills, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender will be considered in determining the optimum Board composition.

A Board Skills Matrix has been used as reference for the Directors' improvement and succession planning. The Board as a whole possesses a diverse set of skills, experience and expertise in relation to food and beverages business, financial and accounting, legal practice, human resource and labour relations, strategy and analytics, sales and marketing, information technology, corporate governance, risk management and internal controls, which are necessary to govern the Group.

In terms of nationality diversity, 73% of the current eleven Directors are Malaysians and 27% are foreigners. 45% of the Directors are between the ages of 45 to 60 and the remaining 55% are above 60 years old. 18% of the Board are women Directors. The Board endeavours to increase its women representation to 30% by 2020.

4. TIME COMMITMENT AND PROTOCOL FOR ACCEPTING NEW DIRECTORSHIPS

The Directors are aware of the time commitment expected from them to attend to matters of the Group in general, including attendance at meetings of the Board and Board Committees and other types of meeting. Board and Board Committee meetings for each financial year are scheduled in advance for Directors to plan their schedule ahead.

The Board is satisfied with the level of time commitment given by the Directors in the discharge of their roles and responsibilities as the Directors of the Company as evidenced by their attendance at the respective meetings in the Financial Year 2019:

Directors	Board Committees						
	Board	AuditCom	NomCom	RemCom	EXCO	SRMCom	AGM
Y.A.M Tengku Syed Badarudin Jamalullail	7/7		3/3	2/2			1/1
Mr. Lee Meng Tat	7/7		3/3	2/2	5/5		1/1
Mr. David Siew Kah Toong	7/7	4/4	2/3	2/2			1/1
Mr. Lee Kong Yip	6/7				5/5	4/4	1/1
Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo	7/7	3/4	3/3	2/2			1/1
Y.Bhg. Dato' Jorgen Bornhoft	6/7				4/5	3/4	0/1
Mr. Hui Choon Kit	7/7	4/4			5/5	4/4	1/1
Puan Aida binti Md Daud	6/7					3/4	1/1
Puan Faridah binti Abdul Kadir	7/7		3/3	2/2			1/1
Y.Bhg. Datuk Mohd Anwar bin Yahya	7/7	4/4					1/1
Y.Bhg Datuk Kamaruddin bin Taib ^(Note)	6/6				2/2		1/1

Note:

Y.Bhg Datuk Kamaruddin bin Taib was appointed as a Director on 8 November 2018 and a member of EXCO on 16 May 2019.

Under the existing practice, Directors will inform the Board immediately after accepting new directorships in other companies so long as their number of directorships in public listed companies is in compliance with the Listing Requirements of Bursa Securities.

5. DIRECTORS' TRAINING

In compliance with the Listing Requirements of Bursa Securities, all members of the Board have attended the required training programmes as prescribed by Bursa Securities.

From time to time, the Directors attend training to keep abreast with current developments as well as the new statutory and regulatory requirements. In addition to this, the Group, in collaboration with external training providers, also organises internal training programmes for the Directors.

The Board had via the NomCom evaluated the training needs of Directors, and identified the training topics required by the Directors. Set out below are the training programmes attended by the Directors during the Financial Year 2019:

Directors	Training Programmes Attended
1. Y.A.M. Tengku Syed Badarudin Jamalullail	<ul style="list-style-type: none"> • Remuneration Committee: Attracting and Retaining the Best Talents • 2019 Budget: What You Need to Know - The Economy, Capital Market and You • Talk entitled "Would a Business Judgment Rule Help Directors Sleep Better at Night?" • Talk entitled "Diabetes and Its Complications. How Can We Help to Reduce It?" • Launch of the Securities Commission Malaysia's Corporate Governance Monitor 2019 • Singapore Institute of Directors ("SID") series: Nominating Committee Chairmen's Conversation • Directors' Continuing Education Programme 2019: <ul style="list-style-type: none"> > Module 1: Corporate Governance ("CG") and The Malaysian Anti-Corruption Commission ("MACC") > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging Artificial Intelligence ("AI") Trends that Shape Future Strategies

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Directors	Training Programmes Attended
2. Mr. Lee Meng Tat	<ul style="list-style-type: none"> • Talk entitled "Diabetes and Its Complications. How Can We Help to Reduce It?" • Leadership Seminar – A Call to Lead with Jennifer Morgan • SID Directors Conference 2019 – From Ordinary to Extraordinary Transformation • Directors' Continuing Education Programme 2019: <ul style="list-style-type: none"> > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
3. Mr. David Siew Kah Toong	<ul style="list-style-type: none"> • Gearing Up for Corporate Liability • Independent Directors' Programme: The Essence of Independence • Practical Issues, Problems and Pitfalls in Registering a Perkongsian Liability Terhad (Limited Liability Partnership) • National Tax Seminar • Talk entitled "Diabetes and Its Complications. How Can We Help to Reduce It?" • Case Study Workshop for Independent Directors • CG Advocacy Programme - Cyber Security in the Boardroom: Accelerating from Acceptance to Action • Income Tax on Property Development Activities • MFRS 17: Overview and Implementation • Financial Institutions Directors' Education ("FIDE") Core Programme: Module A for Insurance Companies • Corporate Liability for Corruption under the MACC Amendment Act 2018: Implications to the Group, Directors and Management • National Tax Conference 2019 • Anti-Money Laundering and Counter Financing of Terrorism for Accountants • Directors' Continuing Education Programme 2019: <ul style="list-style-type: none"> > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
4. Mr. Lee Kong Yip	<ul style="list-style-type: none"> • FIDE Forum – Reading the Signs: The Next Financial Crisis and Potential Impact on Asia • Board Educational Series – Post Implementation Review of Agency Balanced Scorecard under the Life/Takaful Framework • Ernst & Yong's Training on IFRS 17 for the Great Eastern Holdings Group • Raising Defences: Section 17A, the MACC Act • Board Educational Series: <ul style="list-style-type: none"> > Cyber Security > New Agency Contract and Impact • Board Educational Series: <ul style="list-style-type: none"> > Amendment to the MACC Act > What is IFRS 17 and How it Affects the Financial Disclosure > Cloud Architecture Mechanisms on IFRS • Directors' Continuing Education Programme 2019: <ul style="list-style-type: none"> > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies

Directors	Training Programmes Attended
5. Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo	<ul style="list-style-type: none"> • Conference – Malaysia: A New Dawn • Annual Regional 1H2019 Strategy Conference • Invest Malaysia 2019 – The Capital Market Forum • 22nd Credit Suisse Asian Investment Conference • Demystifying the Diversity Conundrum: The Road to Business Excellence • CG Advocacy Programme – Cyber Security in the Boardroom: Accelerating from Acceptance to Action • Virtual Banking: Transforming Malaysia's Banking Landscape • Anti-Money Laundering Act Training Refresher, Updates and Case Studies 2019 • Maybank's Seminar on New Age Investments • Raising Defences: Section 17A, the MACC Act • Directors' Continuing Education Programme 2019: <ul style="list-style-type: none"> > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
6. Y.Bhg. Dato' Jorgen Bornhoft	<ul style="list-style-type: none"> • 2019 Budget: What You Need to Know – The Economy, Capital Market and You • Malaysian Institute of Accountants' Engagement Session with Audit Committee Members on Integrated Reporting • Mid-year Market Outlook – Establishing New Altitudes • Transfer Pricing: Next Phase in Malaysia • Say on Pay: What do Boards Need to Know? • Raising Defences: Section 17A, the MACC Act • Malaysia Macro and Equity Outlook
7. Mr. Hui Choon Kit	<ul style="list-style-type: none"> • Talk entitled "Diabetes and Its Complications. How Can We Help to Reduce It?" • KPMG Finance and Accounting Seminar • Implementing the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations • Directors' Continuing Education Programme 2019: <ul style="list-style-type: none"> > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
8. Puan Aida binti Md Daud	<ul style="list-style-type: none"> • Leadership – Fireside Chat with Anthony Tan, Group CEO and Co-Founder of Grab • Compliance Issues for Fund Managers • Future Workplace Asia Summit • Succession Planning for Business Leader • Chief Learning Officer's Roundtable • Workplace Wellness Summit and Pre-Conference Workshop • MISD Business Planning Workshop 2020 • Leadership in Digital World • Talk on Responsibilities and Duties of Directors under the Companies Act 2016 • PNB Innovation Challenge (Final) • Business Continuity Management Committee • Directors' Continuing Education Programme 2019: <ul style="list-style-type: none"> > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
9. Puan Faridah binti Abdul Kadir	<ul style="list-style-type: none"> • Breakfast Series: Non-Financials – Does It Matter • Talk entitled "Diabetes and Its Complications. How Can We Help to Reduce It?" • Risk Oversight and Compliance – Action Plan for Board of Directors • CG Advocacy Programme – Cyber Security in the Boardroom: Accelerating from Acceptance to Action • Raising Defences: Section 17A, the MACC Act • Mindful Leadership • Directors' Continuing Education Programme 2019: <ul style="list-style-type: none"> > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies

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Directors	Training Programmes Attended
<p>10. Y.Bhg. Datuk Mohd Anwar bin Yahya</p>	<ul style="list-style-type: none"> • International Shari'ah Scholars Forum 2018 – Islamic Social Finance: Realities and Prospects • Conference – Malaysia: A New Dawn • Effective Risk Management Oversight and Governance of Islamic Banks • Islamic Finance for Board of Directors Programme • Leaders Insight Series 3 – Islamic Finance and the Real Economy: Deciphering the Link in Between • Breakfast Talk on Digital Ethics and Sustainability in a New Economy of Privacy • FIDE Core Programme – Module A • Annual Report – What A Director Must Know • Capital Markets Directors Programme Modules 1 & 2B • Capital Markets Directors Programme Modules 3 & 4 • Talk on CG – The Latest Updates and Contemporary Developments on CG • Bursa Thought Leadership: The Convergence of Digitisation and Sustainability • Business Foresight Forum 2019 – New Business Directions 2025: Catalysts for Change • Directors' Continuing Education Programme 2019: <ul style="list-style-type: none"> > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies
<p>11. Y.Bhg. Datuk Kamaruddin bin Taib (appointed on 8 November 2018)</p>	<ul style="list-style-type: none"> • Identifying your Next Board Talent • Board Conversations – With Senior Officials of Bank Negara Malaysia • Talk entitled "Would A Business Judgment Rule Help Directors Sleep Better at Night?" • F&NHB Directors' Induction Programme • Deep Dive on Cyber Security • Board Educational Series – Post Implementation Review of Agency Balanced Scorecard under the Life Framework • Financial Industry Conference 2019 • Masterclass on Cybersecurity • Clouds Technology • Blockchain • IT Risk Management • Bond Market Conference • MFRS 17: Understanding Its Impact and Consequences • Director's Induction Programme by RAM Holdings Bhd • Innovation in the Financial Industry • Bank Negara Malaysia Regional Conference on Climate Change • Directors' Continuing Education Programme 2019: <ul style="list-style-type: none"> > Module 1: CG and the MACC > Module 2: Introduction to Blue Ocean Shift > Module 3: Emerging AI Trends that Shape Future Strategies

6. NOMINATING COMMITTEE

The Board has established a NomCom to assist the Board in ensuring the existence of the right mix of skills, knowledge, experience, qualities, gender, nationality, age and other attributes that are relevant and contribute to the effective functioning of the Board. A summary of the activities of the NomCom is set out in the NomCom Report.

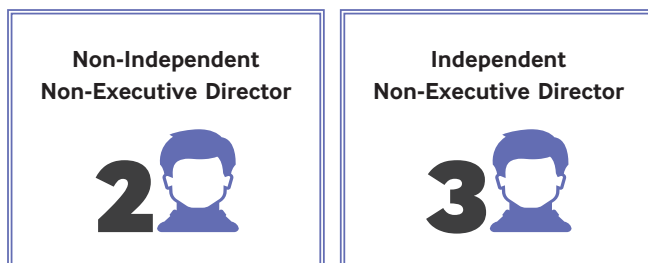
7. RECRUITMENT AND ANNUAL ASSESSMENT OF DIRECTORS

The NomCom is responsible for assessing and recommending appointment to the Board and Board Committees and reviewing the annual assessment of Directors. The recruitment and assessment processes are set out in the NomCom Report.

III. REMUNERATION

1. FORMAL AND TRANSPARENT REMUNERATION POLICIES AND PROCEDURES FOR DIRECTORS

RemCom



The Board has established a RemCom comprising five Non-Executive Directors, three of whom are Independent Directors.

The RemCom assists the Board mainly in establishing formal and transparent remuneration policies and procedures to attract and retain Directors. The RemCom is also entrusted with the role of determining and recommending suitable policies in respect of salary packages for Executive Directors, CEO and senior executives. The current salary packages comprise a combination of basic salary and a variable performance incentive to attract and retain talent in a competitive environment. There was no change in the remuneration policies and practices during the Financial Year 2019.

2. DIRECTORS' REMUNERATION

The aggregate Directors' remuneration paid to the Directors of the Company for the Financial Year 2019 is disclosed in the financial statements.

Details of remuneration paid to Directors of the Company for the Financial Year 2019 are as follows:

Directors	Remuneration paid by the Company			
	Fees RM	Meeting Allowances RM	Benefits ^(Note) RM	Total RM
1. Y.A.M Tengku Syed Badarudin Jamalullail	160,129	27,000	42,201	229,330
2. Mr. Lee Meng Tat	95,883	26,000	518	122,401
3. Mr. David Siew Kah Toong	102,443	23,000	518	125,961
4. Mr. Lee Kong Yip	95,161	22,500	518	118,179
5. Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo	95,129	21,000	518	116,647
6. Y.Bhg. Dato' Jorgen Bornhoft	88,444	16,000	518	104,962
7. Mr. Hui Choon Kit	98,444	25,000	518	123,962
8. Puan Aida binti Md Daud	81,722	13,500	518	95,740
9. Puan Faridah binti Abdul Kadir	82,444	17,000	518	99,962
10. Y.Bhg. Datuk Mohd Anwar bin Yahya	85,000	16,000	518	101,518
11. Y.Bhg. Datuk Kamaruddin bin Taib (appointed on 8 November 2018)	70,114	12,500	518	83,132
Total	1,054,913	219,500	47,381	1,321,794

Note:

Benefits include personal accident insurance premium for all Directors.

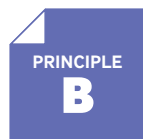
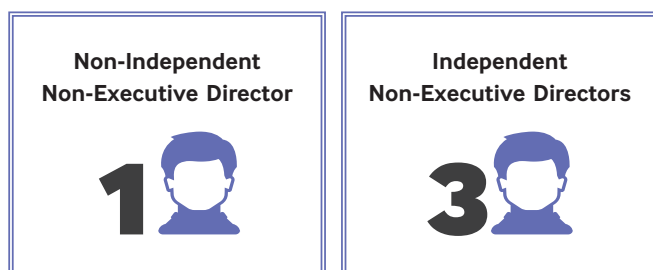
The remuneration for Non-Executive Directors is based on a standard fixed fee, with the Chairman receiving a double amount in recognition of his additional responsibilities. An additional fee is also paid to Non-Executive Directors sitting on Board Committees. A meeting allowance is paid for attendance at meetings of the Board and Board Committees as well as general meetings. The Company has in force Directors and Officers insurance policy essentially covering the acts of Directors and Officers and personal accident insurance policy for Directors.

Fees and benefits payable to the Company's Directors are subject to yearly approval by shareholders at the Company's annual general meeting.

Based on the Directors' Remuneration Policy, the Board shall review Directors' fees and meeting allowances every two years. During the Financial Year 2019, Aon Hewitt Malaysia Sdn Bhd, an independent consultant, was engaged to perform a benchmarking of Directors' fees and meeting allowances against selected comparators in market. Following the review, Directors' fees and meeting allowances of the Company were revised on 24 January 2019 to reflect the prevalent market rates and the duties, responsibilities and commitment of the respective Board Committees and Chairmen of Board Committees.

The Directors' Remuneration Policy and Senior Management's Remuneration Policy are reviewed periodically. The policies are available on the Company's website.

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**EFFECTIVE AUDIT AND
RISK MANAGEMENT**
I. AUDIT COMMITTEE
1. COMPOSITION AND FUNCTIONS OF AUDIT COMMITTEE
AuditCom


The AuditCom of the Company comprises four Non-Executive Directors, three of whom including the Chairman of the AuditCom are Independent Directors. All members of the AuditCom are financially literate, possess an appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the AuditCom's TOR.

The Board is responsible for ensuring that financial statements are prepared in accordance with the Companies Act 2016 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company and the Group.

The Board recognises that an effective AuditCom is necessary in ensuring that the Company's financial statements are a reliable source of financial information. To assist the Board in this matter, the AuditCom is entrusted with the responsibility to review the quarterly reports and annual financial statements focusing particularly on compliance with applicable financial reporting standards and other legal requirements, changes in major accounting policies and practices, implementation of new accounting policies and practices, significant matters highlighted including financial reporting issues, significant adjustments made by management, significant and unusual events or transactions, and how these matters are addressed.

The AuditCom also assists the Board, among others, to oversee the Group's external and internal audit functions; review any related party transactions and recurrent related party transactions and the relevant procedures to ensure compliance with the Listing Requirements. A summary of the activities of the AuditCom during the Financial Year 2019 is set out in the AuditCom Report.

2. ASSESSMENT OF EXTERNAL AUDITORS

The Board maintains a transparent and professional relationship with the external auditors through the AuditCom. Under the existing practice, the AuditCom invites external auditors to attend all meetings of the AuditCom. In addition, the AuditCom will also have private meeting(s) with the external auditors without the presence of the CEO and senior management to enable exchange of views on issues requiring attention. During the Financial Year 2019, the AuditCom had met with the external auditors once without the presence of the CEO and senior management.

The AuditCom conducts an annual assessment of the external auditors. Areas of assessment include:

Technical competencies	Independence and objectivity	Audit scope and planning
Adequacy of specialist support and partners/director accessibility and time commitment		
Audit communications to the AuditCom		Audit and non-audit fees

Feedback based on the assessment areas is obtained from the AuditCom, the CEO and senior management. In support of the assessment on independence, the external auditors provide the AuditCom with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. Premised on the assessment result, the AuditCom makes recommendation for re-appointment of external auditors accordingly.

The AuditCom ensures that the external auditors are independent of the activities they audit, and reviews the contracts for provision of non-audit services by the external auditors. Details of the non-audit fees incurred and the non-audit services provided by KPMG PLT during the Financial Year 2019 are set out in the Audited Financial Statements and AuditCom Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges its responsibility to maintain a sound risk management and internal control system to manage and mitigate significant risks across the Group and to safeguard stakeholders' interests and the Group's assets.

The Board has established an effective risk management and internal control framework within the Group. The Board, through the SRMCom and AuditCom, continually reviews and ensures the adequacy and effectiveness of the Group's risk management and internal control system.

The SRMCom, at its quarterly meeting, reviews the implementation of the risk management framework as well as deliberates on the business risks and the mitigating controls to address the risks identified.

The Internal Audit function reports directly to the AuditCom. Mr. Albert Loh was appointed as the Head of Internal Audit on 17 September 2019, taking over the Internal Audit function from the Head of Group Internal Audit, Fraser and Neave, Limited. He holds a Bachelor of Commerce (Accounting & Finance) from the University of Western Australia and is a

Certified Practising Accountant (CPA Australia). More details on the Internal Audit function and its activities are set out in the AuditCom Report.

The AuditCom reviews and assesses the adequacy of the internal control system based on reports presented by management, external and internal auditors during its meetings. Based on the Internal Audit Charter, the Internal Audit function shall maintain a quality assurance and improvement programme to evaluate the conformance of internal audit activities to the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. The said programme includes Internal Audit function's self-assessment once every two years and assessment by a qualified independent consulting firm at least once every five years.

The Statement on Risk Management and Internal Control provides an overview of the Group's risk management and internal control framework as well as the adequacy and effectiveness of the framework.

PRINCIPLE

C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Company observes the Corporate Disclosure Guide issued by Bursa Securities as well as the disclosure requirements of the Listing Requirements of Bursa Securities. The Company also acknowledges the importance of timely and equal dissemination of material information to shareholders, investors and the public at large. The Company holds two briefing sessions in each financial year for fund managers, investment analysts and media in conjunction with announcement of half-yearly and yearly financial results to Bursa Securities.

The Company maintains a corporate website at www.fn.com.my which provides information relating to among others, annual reports, quarterly financial reports, analysts briefing materials, corporate information, announcements, Board Charter, TORs of Board Committees and relevant policies of the Group. Shareholders and the public can also direct their queries through the email contacts provided on the corporate website.

The Board has in place a Shareholder Communication Policy, which is published on the Company's website.

II. CONDUCT OF GENERAL MEETINGS

The Board recognises the need for and the importance of effective communication with shareholders. The annual general meeting ("AGM") is especially important for individual shareholders as it is the principal forum for dialogue with the Board. Notice of AGM and the Company's annual report are sent to the shareholders at least 28 days ahead of the AGM date to encourage shareholders to attend the AGM. During the AGM, the Board and management take questions from the shareholders present.

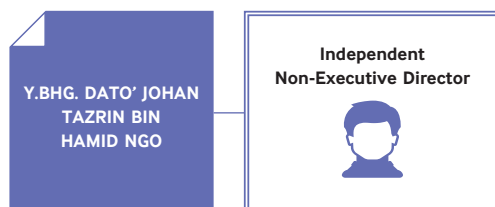
All resolutions put to general meetings will be voted by poll. An independent scrutineer is appointed to validate the votes cast at general meetings. Decision for each resolution and the name of the independent scrutineer will be announced to Bursa Securities on the same day.

The Company has adopted electronic voting for the conduct of polls on all resolutions since its AGM in 2017. At the AGM held on 23 January 2019, all resolutions were voted by poll using smartphones/tablets.

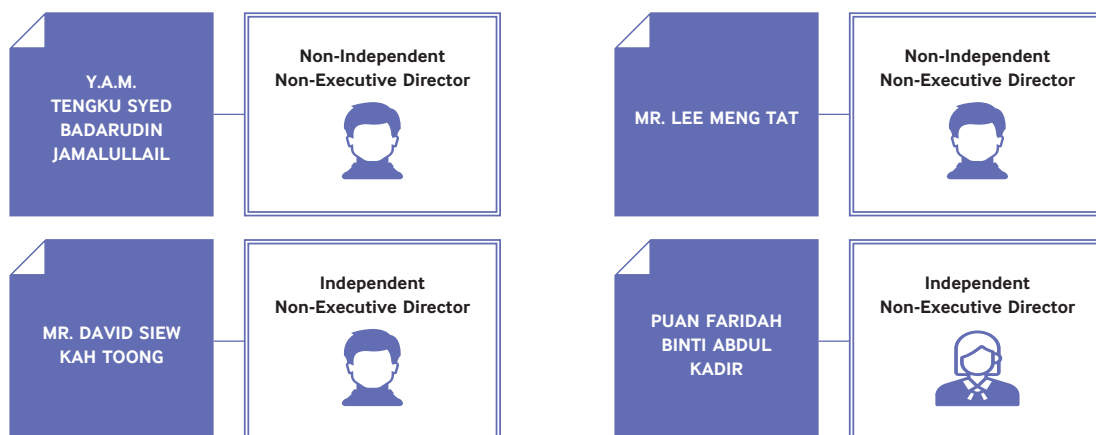
NOMINATING COMMITTEE REPORT

COMPOSITION

Chairman



Members



NOMINATION, ELECTION AND SELECTION OF DIRECTORS

Procedures relating to appointment and re-election of Directors are contained in the Company's Constitution. When assessing the suitability of Directors for appointment to the Board, the Nominating Committee ("NomCom") will take into consideration the skills, knowledge, expertise and experience, professionalism, integrity, competencies, commitment, contribution, performance, gender, nationality and age of the candidates.

When a vacancy on the Board arises, the NomCom will meet to agree on the profile of the position to be filled and the search process, which includes soliciting recommendations from existing Directors and/or engaging external search for candidates. The NomCom will then shortlist candidates, and conduct interviews together with the other Directors. An invitation will be extended to the selected candidate to join the Board, and upon acceptance, the Board will

approve the appointment and make the necessary announcement to Bursa Malaysia Securities Berhad. An induction programme will be organised for all newly appointed Directors which includes briefings and presentations by senior management, sharing of past minutes of meetings and company policies along with plant visits.

New Directors appointed by the Board are subject to re-election at the annual general meeting ("AGM") following their first appointment. In addition, one-third of the Directors are required by rotation to submit themselves for re-election by shareholders at every AGM of the Company.

BOARD AND BOARD COMMITTEES EVALUATION AND INDIVIDUAL DIRECTORS SELF/PEER EVALUATION

The Board is kept abreast of developments in the area of Board performance assessment. A formal evaluation process is in place to assess the effectiveness of the Board as a whole. The evaluation of the Board and Board Committees, Directors Self/Peer and Independent Directors are facilitated by the NomCom annually. An external consulting firm is engaged to carry out the evaluation to ensure that the process remains robust and thorough.

The annual Board evaluation is based on Board composition, Board role and functioning, information management, managing company's performance, Board priorities, Chief Executive Officer performance management and succession planning, Director development and management, sustainability and risk management. The Board Committees are assessed based on structure, responsibilities, right mix of capabilities, experience and skills and process while the individual Directors' self/peer assessments are based on objectivity, participation, independence, integrity, knowledge and abilities and personal commitment. The effectiveness of the Audit Committee and its members along with independence of Directors are also assessed.

Evaluation results of the Board and Board Committees are respectively presented to the NomCom and Board at meetings whereas evaluation results of the Directors are sent to the Board Chairman and the respective Directors. The NomCom reviews the evaluation results of the Directors who are due for retirement by rotation and casual vacancy before making recommendation to the Board for re-election.

In addition to the above, the NomCom also reviews the term of office and performance of the Audit Committee and its members annually to determine that the Audit Committee and its members have carried out their duties in accordance with the Terms of Reference of Audit Committee.

SUMMARY OF ACTIVITIES UNDERTAKEN BY NOMCOM DURING FINANCIAL YEAR 2019

The NomCom held three meetings in the financial year ended 30 September 2019 ("Financial Year 2019") and discussed inter-alia the following matters:

- a) assessed the independence of Independent Directors, namely Y.Bhg. Dato' Johan Tazrin bin Hamid Ngo, Mr. David Siew Kah Toong, Y.Bhg. Datuk Mohd Anwar bin Yahya and Puan Faridah binti Abdul Kadir and reviewed their yearly confirmation on independence;
- b) reviewed and shortlisted candidates for the position of Independent Non-Executive Director and conducted interviews to assess the suitability of the candidates for appointment;
- c) recommended the appointment of Y.Bhg. Datuk Kamaruddin bin Taib as an Independent Non-Executive Director and a member of the Group Executive Committee;
- d) reviewed and recommended the re-designation of Puan Aida binti Md Daud as an Independent Non-Executive Director;
- e) reviewed and recommended re-election of Directors who are due for retirement for shareholders' approval at the annual general meeting held on 23 January 2019;
- f) reviewed and recommended revisions to the Board Diversity Policy, Policy on Independence of Directors and RemCom's Terms of Reference;
- g) reviewed and recommended the NomCom Report for the Financial Year 2018 for inclusion in the Company's annual report;
- h) evaluated training needs of Directors and noted the training programmes attended by Directors;
- i) reviewed and approved the appointment of an external consulting firm, Aon Hewitt Consulting Singapore Pte Ltd to conduct an evaluation of the Board, Board Committees, Directors Self/Peer and Independent Directors for the Financial Year 2019, and the relevant evaluation questionnaires;
- j) reviewed and noted the results of the evaluation of the Board and Board Committees for the Financial Year 2019 presented by the external consultant and proposed action plans to be taken;
- k) reviewed the NomCom's evaluation results for the Financial Year 2019;
- l) reviewed the effectiveness of the Audit Committee and its members and recorded that it was satisfied with the performance of the Audit Committee and its members. Also reviewed and noted the term of office of the Audit Committee and its members; and
- m) reviewed the required mix of skills, knowledge, experience and other qualities which non-executive directors should bring to the Board along with diversity in gender, nationality, age, culture and socio-economic background.

AUDIT COMMITTEE REPORT

The Board is pleased to present the following report on the Audit Committee and its activities for the financial year ended 30 September 2019.

AUDIT COMMITTEE COMPOSITION AND MEETINGS

The Audit Committee, is chaired by Mr. David Siew Kah Toong. The Audit Committee comprises four Non-Executive Directors, a majority of whom are independent, which is in line with the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities Malaysia Berhad ("Bursa Securities").

The names of the members of the Audit Committee and the record of their attendance at meetings during the financial year are as follows:-

Names	Date of Meeting			
	7.11.2018	31.1.2019	29.4.2019	5.8.2019
Independent and Non-Executive Director				
Mr. David Siew Kah Toong (Chairman)	✓	✓	✓	✓
Y.Bhg Dato' Johan Tazrin bin Hamid Ngo	✓	–	✓	✓
Y.Bhg Datuk Mohd Anwar bin Yahya	✓	✓	✓	✓
Non-Independent and Non-Executive Director				
Mr. Hui Choon Kit	✓	✓	✓	✓

✓ Attendance at meeting

At the invitation of the Audit Committee, the Chief Executive Officer, relevant Senior Management personnel, external and internal auditors attended the Audit Committee meetings and presented their reports on financial results, audit and other matters for the information and/or approval of the Audit Committee. The Chairman of the Audit Committee thereafter tabled the recommendations of the Audit Committee to the Board and apprised the Board of relevant issues.

Throughout the year, there was continuous engagement between members of the Audit Committee and Senior Management on matters impacting the Group. This included the conduct of quarterly pre-Audit Committee meetings chaired by the Audit Committee Chairman and attended by the external and internal auditors as well as the Chief Executive Officer and Chief Financial Officer focusing on items related to financial management and internal controls.

TERMS OF REFERENCE

The Audit Committee is responsible among others, to review and monitor the integrity of the Group's reporting process, system of internal control, audit process as well as compliance with legal, regulatory and taxation matters for the Group. The terms of reference of the Audit Committee, which is annually reviewed, is made available on the Company's corporate website at www.fn.com.my.

SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee discharged its functions and carried out its duties as set out in its terms of reference. The summary of key activities undertaken by the Audit Committee during the financial year is provided below:

FINANCIAL REPORTING AND COMPLIANCE

The Audit Committee reviewed the quarterly and annual consolidated financial statements and announcements of the Group, before submission to the Board. In doing so, there was focus on changes in major accounting policies and practices as well as adjustments/issues affecting the audit to ascertain compliance with applicable financial reporting standards, the Listing Requirements of Bursa Securities and other statutory requirements. The external auditors' annual audit reports and interim review reports as well as the accompanying management reports and responses by Management were also reviewed by the Audit Committee as part of their oversight over the accounting, auditing and financial reporting practices and procedures of the Group.

INTERNAL CONTROL

Based on reports presented by the Senior Management, external and internal auditors during the Audit Committee meetings, the Audit Committee assessed the adequacy of the internal control system of the Group. The Audit Committee was updated that there were no whistle blowing allegations during the financial year.

EXTERNAL AUDIT

At the Annual General Meeting held on 23 January 2019, the shareholders had approved the re-appointment of KPMG PLT as auditors of the Company.

The Audit Committee had conducted an evaluation of the external auditors, KPMG PLT for the financial year 2019, encompassing technical competencies, adequacy of specialist support and partners/director accessibility and time commitment, independence and objectivity, audit scope and planning, audit and non-audit fees and audit communications to the Audit Committee. On the basis of the evaluation by the Audit Committee, a recommendation was made to the Board to re-appoint KPMG PLT for the ensuing financial year. The re-appointment will be put to the shareholders for approval at the forthcoming Annual General Meeting.

Apart from conducting the annual statutory audit, the auditors were also appointed to review the Condensed Interim Financial Statements for the first three quarters of the financial year ended 30 September 2019 in accordance with the relevant Malaysian Financial Reporting Standards and Bursa Securities Listing Requirements.

Through the statutory audit and the quarterly reviews, the Audit Committee regularly engages with the auditors, including at least one meeting without the presence of management, to ensure that the reviews and audits were robust, effective and consistent with professional auditing standards. During the financial year 2019, the Audit Committee had one meeting with the auditors without the presence of management. The Audit Committee reports that there was no significant matter of disagreement between the auditors and management.

To reinforce the independence and objectivity of the auditors, the Audit Committee was apprised of all non-audit services that the auditors may be called upon to perform. This was so in those circumstances where the auditors were best qualified and suitable to provide the required services given their comprehensive knowledge of the Group's business operations, systems and processes. During the financial year, the amount incurred in respect of non-audit related fees amounted to RM284,000 (FY2018 RM220,000) and comprised the following assignments:

- Quarterly Reviews;
- Review of Statement on Risk Management and Internal Control; and
- Update of Transfer Pricing Documentation for a subsidiary.

Other activities by the Audit Committee included a review and discussion of the annual audit plan to ensure that time allocated to audit the areas of high risks as highlighted in the Group's risk matrices are adequately dealt with and the level of resources and experiences assigned to the examination were appropriate.

Consistent with its examination, the external auditors performed audit procedures to obtain reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. They reported that they did not note any instance indicating existence of fraud that might result in a material misstatement in the financial statements. The external auditors performed a limited assurance review of the Statement on Risk Management and Internal Control as required under the Bursa Securities Listing Requirements.

GROUP INTERNAL AUDIT

Group Internal Audit activities were performed by a team of six professional internal auditors, supervised by the Deputy Head and the Head of Group Internal Audit from its parent company, Fraser and Neave, Limited ("F&NL"). The Head of Group Internal Audit is a Chartered Accountant of Singapore and an appointed member of the Board of Governors of the Institute of Internal Auditors, Singapore. Some of the internal audit staff are also members of the Institute of Internal Auditors, Malaysia.

The Group has recruited the Head, Internal Audit who had joined on 17 September 2019. Following the appointment, the Head, Internal Audit would take over the internal audit function from the Head of Group Internal Audit, F&NL. The Head, Internal Audit is a Certified Practising Accountant (CPA Australia).

In accordance with the F&NHB IA Charter, Group Internal Audit had maintained its independence and objectivity in carrying out its assurance activity. Group Internal Audit did not have any direct operational responsibility or authority over any of the activities it audited or had engaged in any activity that might impair the internal auditor's judgment. All the internal audit staff had confirmed via an annual declaration that they were free from any relationships or conflict of interests which could impair their objectivity and independence.

Group Internal Audit had adopted and complied with the International Standards for the Professional Practice of Internal Auditing ("IIA Standards") issued by the International Internal Audit Standards Board. The Department maintained a quality assurance and improvement programme to evaluate the internal audit activity's conformance with the IIA Standards and the Code of Ethics. The quality assurance and improvement programme included both internal self-assessment (performed once every two years) and an external assessment conducted by a qualified independent consulting firm, appointed once in five years.

The Audit Committee continually evaluated the Group Internal Audit function to ensure its activities are performed independently and with impartiality and due professional care. The annual internal audit plan was approved by the Audit Committee to ascertain the extent of its scope and coverage of the Group's activities, including the adequacy of Group Internal Audit's staffing strategies in supporting the plan's completion. Following the completion of audit reviews conducted, the audit reports and the corresponding key findings, audit recommendations and agreed action plans taken by Management were deliberated upon by the Audit Committee.

In accordance with the annual internal audit plan which had been approved by the Audit Committee, Group Internal Audit conducted regular reviews of the governance and internal controls processes within the Group. The audits were performed using a risk based approach and is consistent with the Group's established framework in designing, implementing and monitoring of its control systems. Group Internal Audit had regular interactions with the Chairman of the Audit Committee, Senior Management and including the external auditors and Risk Management when necessary.

AUDIT COMMITTEE REPORT

The Audit Committee had assessed the performance of the Internal Audit function during the financial year 2019 through an internal stakeholders' satisfaction survey conducted by the Human Capital Department.

The ambit of the Group Internal Audit function is defined in the Internal Audit Charter which is reviewed by the Audit Committee annually. During the financial year, the key activities carried out by Group Internal Audit included the following:

- Performed periodic audits of key subsidiaries and regional office operations within the Group to test on the appropriateness of control design and implementation as well as compliance with existing policies and procedures. This included the conduct of the following audits:
 - sales activities covering order processing, cooler and chiller management, distributor management, market returns management, customer master file management, credit management and collections;
 - marketing activities encompassing marketing plans and sponsorships, appointment and performance evaluation of media/advertising agencies, budget planning and marketing spend, advertising and promotion stock, promotion programmes and brand promoters;
 - plant operations covering raw, packaging and work-in-progress materials management, production and quality control management, repair and maintenance of plant facilities and plant safety and security;
 - logistics and distribution, covering finished goods management, transporters as well as warehouse security and safety;
 - human capital management covering human resources administration, payroll processing, segregation of duties, industrial relations and employee relations management, training and staff development and building facilities and security.
 - Procurement activities covering pre-qualification, sourcing, appointment, performance appraisal of suppliers, monitoring of purchase orders, contract management, vendor master file management and Capex projects;
 - information technology, covering access management, change management, IT operations (backup, disaster recovery, incident management), network security, cyber security, IT budget monitoring, project management and vendor management; and
 - governance practices covering implementation of Group Policies, risk management process and contract management.
- Collated the status of implementation of audit recommendations provided by responsible management teams for reporting to the Audit Committee on a quarterly basis.

The operational costs incurred by Group Internal Audit for the financial year 2019 amounted to about RM2.4 million.

OTHER MATTERS

The related party transactions entered into by the Group were reviewed by the Audit Committee to ensure that they were conducted on the Group's normal commercial terms and adequate internal procedures had been deployed in the Group in relation to such transactions; for monitoring compliance with the Listing Requirements of Bursa Securities and to ascertain that the transactions entered into were not prejudicial to the interest of the non-controlling shareholders. The Audit Committee was also apprised of recurrent related party transactions, particularly towards monitoring that amounts transacted were within the approved shareholders' mandate obtained.

As at the date of this report, the Audit Committee had also reviewed the "agreed-upon procedures" performed by Group Internal Audit in relation to the allocation of share grants under the Restricted Share Grant Plan at the end of the financial year. This was to ensure the actual and target key performance indicators were computed accurately based on the audited and approved budget figures to support the allocation of share grants to employees.

The Statement on Corporate Governance, Statement on Risk Management and Internal Control and the Audit Committee Report for inclusion in this Annual Report were reviewed by the Audit Committee prior to Board's approval.

The Audit Committee also reviewed the declaration of interim dividend and recommendation of final dividend, the press release relating to financial results, its revised Terms of Reference and the guidelines on related party transactions prior to the respective Board and/or shareholder approvals. The Audit Committee conducted an evaluation of its own performance for financial year 2019, and the Board had reviewed the evaluation result.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

This Statement on Risk Management and Internal Control is intended to provide our stakeholders and readers of this Annual Report with sufficient and meaningful information about the adequacy and current state of Fraser & Neave Holdings Bhd (“F&NHB” or the “Group”)’s system of risk management and internal control.

INTRODUCTION

This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (“Guidelines”) issued on 31 December 2012. The Guidelines provide guidance for companies complying with paragraph 15.26 (b) of the Listing Requirements of Bursa Securities and Principle B and Practice 9.1 and 9.2 of the Malaysian Code on Corporate Governance that was issued in 2017.

BOARD’S RESPONSIBILITY AND ACCOUNTABILITY

F&NHB recognises that effective risk management and a sound system of internal control are fundamental to good corporate governance. The objective of risk management is to create and protect the values for the Group through improving performance, encouraging innovation and supporting the achievement of objectives. The Board of Directors (“Board”) acknowledges its responsibility and is committed to maintain an effective risk management and internal control system to address all key risks which the Group considers relevant and material to its operations while Management plays an integral role in assisting the design and implementation of the Board’s policies on risk management and internal control.

In view of the inherent limitations in any such system, the Board recognises that the system of risk management and internal control are designed to manage and mitigate risks rather than eliminate risks which may hinder the achievement of the Group’s objectives and would therefore provide only reasonable and not absolute assurances against material misstatements or losses.

For the purposes of this Statement, associated companies and joint ventures have been excluded from the Group.

THE GROUP’S RISK MANAGEMENT SYSTEM

The Group adopts the Enterprise-wide Risk Management Policy (“ERM Policy”) which is designed to manage risks in an integrated, systematic and consistent manner. It establishes the overall risk management framework and processes in defining the strategy to identify and manage risks across the Group. During the year under review, the ERM policy was reviewed and updated to benchmark against the ISO31000:2018 Risk Management – Guidelines. In addition, ERM principles are embedded in the corporate culture, processes and structures of the Group. The main features of the Group’s risk management system are described in the following sections.

ROLES AND RESPONSIBILITIES

The Board regards risk management as an integral part of the operations and processes of the Group is assisted by the Sustainability* and Risk Management Committee (“SRMC”) to:

- provide oversight of the Group’s significant risks;
- determine the nature and extent of significant risks, i.e. the risk appetite and risk tolerance level, which the Group is willing to take in achieving its strategic objectives;
- identify, assess and monitor key business risks faced by the Group; and
- ensure that Management maintains an effective system of risk management and internal control to safeguard shareholders’ investments and the Group’s assets.

The terms of reference (“TOR”) of the SRMC states, amongst others, that the SRMC also maintains a close relationship with the Audit Committee to minimise and/or prevent any overlapping of functions with the Audit Committee, which include the review of the adequacy and effectiveness of internal control system, including financial, operational, compliance, and information technology controls.

During the financial year, SRMC had held 4 meetings on a quarterly basis to:

- review the implementation of the risk management framework;
- deliberate on the key business risks and the mitigating controls to address the risks identified;
- provide oversight of the Group’s insurance, cyber risk management, business continuity management (“BCM”) programmes, Charts of Authority, and sustainability-related matters; and
- recommend to the Board for endorsement or approval where necessary.

The responsibility for day to day risk management resides with the Management of each function/business unit where they are the risk owners and are accountable for managing the risks identified and assessed. In managing the risks of the Group, the Risk Management Department collaborates with the Management in reviewing and ensuring that there is on-going monitoring of risks, the adequacy and effectiveness of its related controls, and that action plans are developed and implemented to manage these risks within the acceptable level by the Group.

The Management Risk Committee, chaired by the Chief Executive Officer (“CEO”) and supported by the Functional Heads, Business Unit Head, and the Head of Departments, meets on a quarterly basis to share emerging and significant risks faced by the business, and ensure that the mitigating controls and action plans are conducted within the boundaries set by the ERM Policy, prior to escalation to the SRMC.

* For further details on sustainability related matters, refer to Sustainability Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

THE ENTERPRISE RISK MANAGEMENT (“ERM”) PROCESS

The ERM process involves a systematic application of the risk management methodology to facilitate risk identification, assessment, reporting as well as monitoring and review as described below:

RISK IDENTIFICATION AND ASSESSMENT

- The ERM process begins with the business strategies and objectives setting and/or review prior to the commencement of every financial year, which is also aligned to the Group’s vision and mission. Subsequently, risks arising from the business strategies and objectives to be pursued are identified.
- A consistent approach in determining the risk likelihood and risk impact is adopted across the Group to reflect the risk appetite approved by the Board.
- Risks identified are assessed to determine their likelihood of occurrence and potential impact on the relevant business strategies/objectives. The outcome of the risk assessment process at respective functional or business unit levels will then be consolidated at the Group level in a Corporate Risk Scorecard which enables subsidiaries within the Group to report risks and risk status using a common platform.

RISK REPORTING AND REVIEW

Annual Review

- Risk appetite and risk tolerance statements, which set out the nature and extent of risks that the Group is willing to accept or retain in pursuit of its goals and objectives, are reviewed by the SRMC and approved by the Board annually.
- Impact parameters, upon which the risk ratings are measured against the likelihood, are reviewed and updated annually.

Quarterly Review

- On a quarterly basis, the risk profiles of the key subsidiaries are tabled to the Management Risk Committee and the SRMC in a heat map, which set out the priority and focus for risk mitigation strategies based on risk ratings at gross and net levels. The net risk level is determined after taken into consideration the effectiveness of existing controls and risk treatment plans. The risks identified and assessed are reported under the following categories:

- Key Risk Indicators (“KRIs”), presented in the form of Key Risk Dashboard, are also established to monitor risks and mitigating measures for risks that are material to the Group and included as part of the quarterly risk reporting.
- Changes to risk profiles and emerging risks are also identified and promptly brought to the attention of the Board and Board Committees.

For discussion on assessment of key risk areas and the controls in place to mitigate or manage those risks, refer to Management Discussion & Analysis section of the Annual Report.

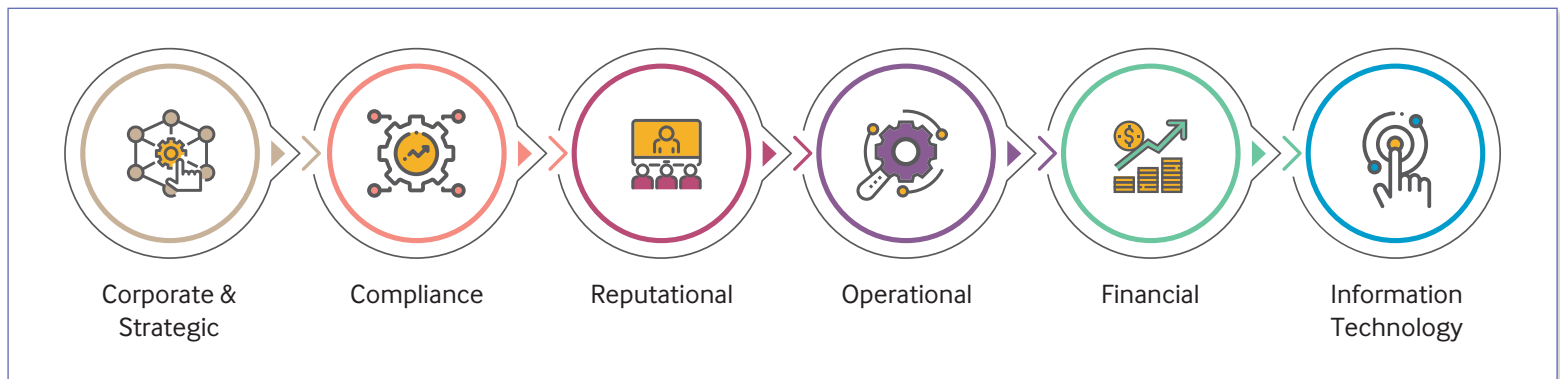
ASSURANCE RECEIVED FROM MANAGEMENT

At the end of the financial year, the Board receives assurance from the CEO and Chief Financial Officer (“CFO”) that the risk management and internal control system in place for the Group is adequate and effective to address risks which the Group considers relevant and material to its operations through the ERM Validation Report and Comfort Matrix.

The ERM Validation Report summarises the risk management activities conducted and implementation of ERM Policy during the financial year whilst the Comfort Matrix sets out the key financial, compliance, operational, and information technology risks of the Group and presented against how strategies, policies, people, processes, systems, mechanisms and reporting processes that have been put in place, in addressing these risks.

Both ERM Validation Report and Comfort Matrix are tabled at the SRMC and Audit Committee meetings respectively prior to recommendations to the Board on an annual basis.

In addition, the risk management process in the Group is reviewed on a periodic basis by Internal Audit, according to its annual audit plan approved by the Audit Committee.



INTERNAL CONTROL

The following areas of governance contained clearly defined corporate values, code of business ethics and conduct as well as comprehensive policies and procedures to assist Management in ensuring that a sound system of internal control is maintained in the Group.

CODE OF BUSINESS ETHICS & CONDUCT, WHISTLEBLOWING AND FRAUD CONTROL POLICIES

A framework which consists of Code of Business Ethics & Conduct, Whistleblowing Policy and Fraud Control Policy sets the expectation in upholding integrity and ethical values within the Group and they are made available to all staff in the Group’s intranet.

Code of Business Ethics & Conduct (“the Code”) prescribes the values and principles committed by F&NHB and expects employees in F&NHB to act with integrity, respect and excellence. It defines expected behaviour for employees in dealing with key stakeholders in the Company, workplace, marketplace, and external stakeholders such as customers and suppliers. Provisions in the Code include (but are not limited to) the following:

Protection of Company’s assets	Confidential information	Anti-discrimination and anti-harassment
Accuracy and completeness of accounting records and reports		
Product quality	Anti-competitive behaviour	Conflict of interest

Whistleblowing Policy enables the businesses within the Group to respond nimbly to concerns raised notwithstanding changes in the environment and to ensure that the corporate culture of integrity, transparency and accountability are upheld across the Group. The policy encourages and provides a channel to employees to report in good faith and in confidence, without fear of reprisals, of concerns about possible improprieties. Allegations of improprieties which are reported via the whistle-blowing channel such as a dedicated hotline and email account are appropriately followed up and the outcome(s) will be reported at the Audit Committee meetings.

Fraud Control Policy defines a process focusing on the prevention, detection and management of fraud and applies to any irregularity, or suspected irregularity, involving employees as well as shareholders, consultants, vendors, contractors, external agencies and employees of such agencies, and/or any other parties with a business relationship with F&NHB. The Group adopts a “zero tolerance” stance towards fraud. Where fraud is suspected, investigations will be conducted and where fraud has been established, appropriate actions will be taken in line with existing policies and procedures.

The Code, Whistleblowing and Fraud Control Policies are available for reference at the Company’s website at www.fn.com.my.

BOARD AND BOARD COMMITTEES

Board and Board Committees provide oversight function and ascertain the adequacy of the internal control framework in the Group. Further details on the structures of the Board and its committees are provided under Corporate Information as well as the Corporate Governance Statement and Audit Committee Report.

DELEGATION OF AUTHORITY

The authority limits aligned to the Group’s organisational requirements in areas such as procurement, contracting, human resources and financial management are encapsulated in the Chart of Authority. The Chart of Authority provides guidance on the division of responsibilities between the Board and Management and is periodically reviewed and updated to reflect changes in the business, operational and organisational environment.

ANNUAL BUSINESS PLANS AND PERFORMANCE

The Annual Business Plan sets the targets and objectives based on the strategic directions and initiatives of the Group and is supplemented by key performance indicators to monitor and track the actual achievement against the Group’s targets and objectives. Frequent engagements between the Board and the CEO/Management via Group Executive Committee meetings and management reports provide a platform for performance to be periodically monitored, followed up and/or adjusted where appropriate.

POLICIES AND PROCEDURES

The Group has set in place standard operating procedures covering critical and significant facets of the Group’s business processes and are primarily geared towards the protection of assets and critical data as well as other major aspects of the Group’s business operations. These areas include financial management, occupational safety procedures, information technology and cyber security, social media, human capital management, productivity benchmarks, product quality assurance, compliance with regulatory standards and disciplines, among other matters. The procedures are also subject to review as processes change or when new business requirements need to be met. Compliance with these procedures is an essential element of the internal control framework.

HUMAN CAPITAL

Talent plays a pivotal role in achieving the business objectives of the Group. Hence, a process has been put in place to assess talent for career development and succession planning. Roles and responsibilities are clearly defined in the job description for each position. In addition, continuous improvement approach is implemented in the areas of operational efficiencies as well as manpower productivity. To ensure the performance evaluation process is carried out in a systematic manner, Performance Management System which provides rating criteria for the assessment of employees’ performance based on agreed Key Result Areas and competencies defined is deployed.

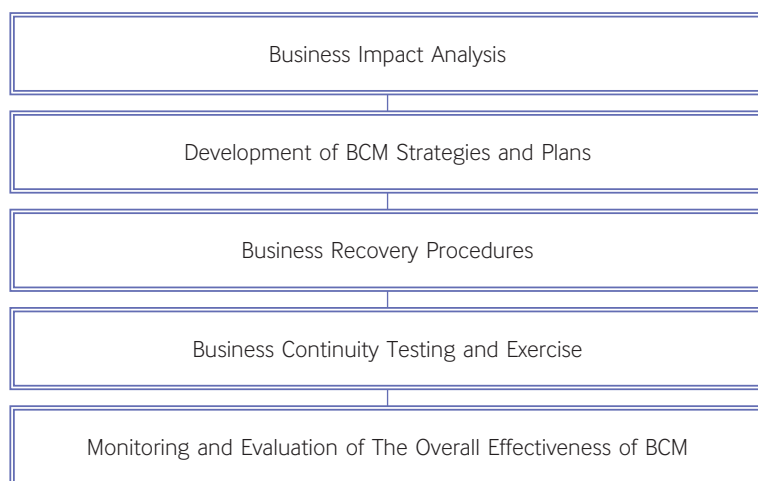
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INFORMATION SYSTEMS

The Group operates on an enterprise resource planning system which integrates various facets of the Group's operations. The system provides management with data, analysis, variations, exceptions and other input relevant to the Group's performance. Employees within the Group are guided by the Information Technology policies and procedures such as IT Security Policy, Access Management, Cyber Security Framework and End User Policy.

BUSINESS CONTINUITY MANAGEMENT

The Board is cognizant of the importance of business continuity management ("BCM") in strengthening the Group's resilience in response to the evolving business environment and enhancement of shareholders' values. F&NHB has in place the following components within the BCM Framework to enable the Group's operations to be prepared in the event of emergencies:



The Framework and the BCM plans developed are reviewed on an annual basis and tested periodically to ensure that it is up-to-date and relevant to the business environment.

AUDIT COMMITTEE AND GROUP INTERNAL AUDIT

Group Internal Audit performs periodic audits of subsidiaries within the Group in accordance with an annual internal audit plan, which is formulated through a comprehensive risk-based methodology and approved by the Audit Committee. The audits are designed to test the appropriateness of control design and implementation as well as compliance with the existing policies and procedures. Based on the audits performed, areas of improvement on control design and implementation are highlighted, on a quarterly basis, to the Audit Committee and Management to implement internal audit recommendations. Status of implementation of agreed audit recommendations is tracked until completion and quarterly updates are provided to the Audit Committee and Management. Further details on the activities of the Audit Committee and Group Internal Audit are set out in the Audit Committee Report.

CONCLUSION

The Board, through the SRMC and Audit Committee, has undertaken review of the adequacy and effectiveness of risk management and internal control system in accordance with the Terms of Reference during the year under review. The Board is of the view that the Group's overall risk management and internal control system is sound and adequate in all material aspects, and has received the same assurance from both the CEO and CFO of the Group. The Board ensures that the risk management process in identifying, evaluating and managing significant risks is operating adequately and effectively throughout the financial year up to the date of approval of this Statement. It is in the Board's opinion that the Group's system of internal control during the year under review is adequate and effective to safeguard the Group's assets and the interests of shareholders and stakeholders.

STATEMENT ON DIRECTORS' RESPONSIBILITY

For the Audited Financial Statements

The Directors of the Company are required by the Companies Act 2016 in Malaysia ("the Act") to ensure that the financial statements prepared for each financial year give a true and fair view of the financial position and the financial performance of the Group and of the Company. Pursuant to paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors is required to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors, have through the Statement by Directors on page 211 of the Annual Report given their opinion that the financial statements have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act.

In preparing these financial statements, the Directors ensured that:

- appropriate accounting policies have been adopted and applied consistently;
- the going concern basis used in preparation of the financial statements are appropriate; and
- where judgements and estimates are made, they are reasonable and prudent.

The Directors are also responsible for ensuring that proper accounting and other records are kept in accordance with the provisions of the Act to sufficiently explain the transactions and financial position of the Group and of the Company.

The Directors also have the responsibility to ensure that a system of internal control is in place to ensure that the assets of the Group are safeguarded against loss from unauthorised use or disposition and that transactions are properly authorised and recorded as necessary to enable the preparation of financial statements that are true and fair and are free from material misstatement.

This Statement is approved by the Board of Directors on 5 November 2019.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”):

1. UTILISATION OF PROCEEDS

COMMERCIAL PAPER (“CP”) AND MEDIUM TERM NOTE (“MTN”) PROGRAMMES RESPECTIVELY WITH A NOMINAL VALUE OF RM750,000,000 FOR EACH PROGRAMME

A wholly owned subsidiary of the Company, F&N Capital Sdn Bhd (“the Issuer”), is able to issue up to RM750,000,000 in nominal value under each of the CP and the MTN programmes respectively, which are unconditionally and irrevocably guaranteed by the Company. The CP has a tenure of seven (7) years from the first issue date of the CP under the CP Programme whilst the MTN has a tenure of fifteen (15) years from the first issue date of the MTN under the MTN Programme.

The Issuer had on 7 October 2013 issued MTN of RM150,000,000 with a tenure of five (5) years from the issue date. This MTN with interest rate of 4.24% per annum was fully repaid during the financial year ended 30 September 2019 (“Financial Year 2019”).

There were no issuance of CP/MTN during the Financial Year 2019. As at 30 September 2019, the unutilised CP/MTN facility available for use amounted to RM1,500,000,000 (2018: RM1,350,000,000).

2. AUDIT AND NON-AUDIT FEES

The respective fees are disclosed in the Audit Committee Report and Audited Financial Statements set out in this Annual Report. Non-audit fees are also disclosed in the Audit Committee Report.

3. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving the interest of Directors or major shareholders during the Financial Year 2019:

A conditional Sale and Purchase Agreement dated 8 October 2019 between the Company’s wholly-owned subsidiary, F&N AgriValley Sdn Bhd (formerly known as Rimba Perkasa Sdn Bhd) (“F&N AgriValley”) and MSM Perlis Sdn Bhd (“MSM Perlis”) for the proposed acquisition by F&N AgriValley from MSM Perlis of nine pieces of leasehold land measuring in total approximately 4,453.92 hectares, all in Mukim Chuping, Daerah Perlis, Negeri Perlis for a total cash consideration of RM156 million.

Y.Bhg. Datuk Mohd Anwar bin Yahya is a Director of the Company and FGV Holdings Berhad, a major shareholder of MSM Perlis.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the 57th Annual General Meeting of Fraser & Neave Holdings Bhd (“F&NHB” or “Company”) held on 23 January 2019, the Company had obtained shareholders’ mandate to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties which are necessary for the day-to-day operation of the F&NHB Group.

Pursuant to the MMLR of Bursa Securities, the details of the recurrent related party transactions entered into during the Financial Year 2019 are as follows:

Mandated Related Parties	Relationship	Type of Transaction	Actual Value Transacted RM’000
Fraser and Neave, Limited (“F&N Ltd”) Group	F&N Ltd is the holding company of F&NHB	Purchase of concentrates and/or raw materials from the F&N Ltd Group	171,138
		Purchase of finished products from the F&N Ltd Group	13,072
		Sale of finished products and/or raw materials to the F&N Ltd Group	266,864
		Payment of royalties to the F&N Ltd Group for the use of trademarks, trade names and brand names owned by F&N Ltd	54,119
		Payment of fees to the F&N Ltd Group for corporate services, corporate research and development services and technical services	1,275
		Receipt of rental from the F&N Ltd Group	120
		Receipt of corporate services fees and staff costs from the F&N Ltd Group	1,580
		Receipt of printing services from the F&N Ltd Group	140

Mandated Related Parties	Relationship	Type of Transaction	Actual Value Transacted RM'000
Berli Jucker Public Company Limited ("BJC") Group	BJC's ultimate parent company is TCC Corporation Limited, which in turn is under the control of Y.Bhg. Tan Sri Charoen Sirivadhanabhakdi ("Tan Sri Chareon") and Y.Bhg. Puan Sri Wanna Sirivadhanabhakdi ("Puan Sri Wanna"), the ultimate major shareholders of ThaiBev and the Company. Hence, the BJC Group is deemed a person connected to the said ultimate major shareholders	Purchase of raw materials from the BJC Group	1,265
		Payment of network monitoring & professional fees to the BJC Group	149
		Sale of finished products to the BJC Group	68,099
		Purchase of packaging materials from the BJC Group	18,965
		Receipt of logistic services from the BJC Group	10,254
Thai Beverage Public Company Limited ("ThaiBev") Group	ThaiBev is deemed a major shareholder of the Company by virtue of its indirect substantial interest in F&N Ltd held through its indirect wholly owned subsidiary, InterBev Investment Limited	Sale of finished products to the ThaiBev Group	1,747
		Receipt of tetrapak co-packing services from the ThaiBev Group	540
		Purchase of raw materials from the ThaiBev Group	2,281
		Receipt of marketing services from the ThaiBev Group	18,223
		Purchase of finished products from the ThaiBev Group	24
		Receipt of corporate services from the ThaiBev Group	1,999
		Payment of share of profit to/*receipt of share of loss from the ThaiBev Group arising from the sale of finished products	483 *
Frasers Property Limited ("FPL") Group	FPL's major shareholder is TCC Assets Limited, which in turn is under the control of Tan Sri Charoen and Puan Sri Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, the FPL Group is deemed a person connected to the said ultimate major shareholders	Receipt of corporate services fees and staff costs from the FPL Group	130
Thai Group Holdings Public Company Limited ("Thai Group Holdings") Group (including companies previously under the Southeast Group Co. Ltd. ("Southeast") Group)	Thai Group Holdings's major shareholders are Tan Sri Charoen and Puan Sri Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, the Thai Group Holdings Group is a person connected to the said ultimate major shareholders	Payment of insurance premium to the Thai Group Holdings Group	3,093
		Lease of assets from the Thai Group Holdings Group	115
TCC Land Co. Ltd. ("TCC Land") Group	(Note: The entire business of Southeast was transferred to Thai Group Holdings in July 2019)	Sale of finished goods to the TCC Land Group	241
TCC Corporation Limited ("TCC Corporation") Group	TCC Corporation is under the control of Tan Sri Charoen and Puan Sri Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, the TCC Corporation Group is a person connected to the said ultimate major shareholders	Payment of management fees to the TCC Corporation Group	2,026
		Sale of finished products to the TCC Corporation Group	41
		Purchase of raw materials from the TCC Corporation Group	42,925
		Receipt of marketing services from the TCC Corporation Group	0
Univentures Public Company Limited ("Univentures") Group	Univentures's major shareholder is Adelfos Company Limited, which in turn is under the control of children of Tan Sri Charoen and Puan Sri Wanna, the ultimate major shareholders of ThaiBev and the Company. Hence, the Univentures Group is deemed a person connected to the said ultimate major shareholders	Sale of finished products and/or raw materials to the Univentures Group	0