



FRASER & NEAVE HOLDINGS BHD

Board Charter

1. Introduction

The Board of Directors (the “Board”) of Fraser & Neave Holdings Bhd (the “Company”) is committed to observing and maintaining the highest standards of corporate governance throughout the Company and its subsidiaries (the “Group”) built upon a firm foundation of sound internal control systems and corporate culture of consistent emphasis on fairness, transparency, accountability and continuous improvements.

This charter (the “Charter”) which was developed based upon the following objectives had been adopted by the Board:

- to promote sound and transparent corporate policies and practices based upon exemplary corporate values, ethical business conduct, strong governance practices, and sound board culture;
- to set out the roles, responsibilities, functions, composition, operations and processes of the Board;
- to provide a standard code of conduct and reference for compliance by all directors, which will be useful as primary induction literature for newly appointed directors; and
- to ensure compliance with all applicable legal and regulatory obligations by the Group and the Board.

In developing the Charter, the Board has considered and taken into account all applicable rules, laws and regulations including but not limited to the following:

- The Companies Act 2016;
- Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”);
- The Malaysian Code on Corporate Governance which came into effect on 26 April 2017 (“MCCG 2017”);
- The Capital Market and Services Act 2007; and
- The Company’s Constitution.

The Board provides entrepreneurial leadership, sets strategic directions, oversees management effectiveness and ensures proper business conduct. The Board shall also ensure that proper processes are in place for evaluating the adequacy of internal controls, risk management, financial reporting and compliance and sets the values and standards of corporate governance for the Group. The Directors shall apply skill and due care in exercising their duties to the Company and are subject to fiduciary duties. Directors shall be accountable to the shareholders and other stakeholders of the Company for the Group’s performance.

2. Duties and responsibilities of the Board

In order to ensure effective discharge of the Board’s functions and fiduciary duties in respect of the Group, the Board will assume, amongst others, the following responsibilities:

2.1 Strategic, Operational and Financial Objectives of the Group

- (a) Promote, together with senior management, good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour.
- (b) Review, adopt and monitor the implementation of strategic and financial plans for the Group.
- (c) Ensure that the strategic plan of the Group supports long-term value creation and include strategies on economic, environmental and social considerations underpinning sustainability.

- (d) Review and approve the annual budgets, including major capital commitments and capital expenditure budgets.
- (e) Oversee and evaluate the conduct of the Group's businesses to ensure that the business is properly managed and management's performance can be assessed.
- (f) Approve new major ventures, material acquisitions and disposals of undertakings and assets or any significant expenditures which exceed the authority limits delegated to the Chief Executive Officer (the "CEO") or the Chief Financial Officer (the "CFO").
- (g) Review and approve changes to the management and control structure within the Group, including key policies and charts of authority.
- (h) Ensure 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.

2.2 Risk and Compliance Management and Internal Controls

- (a) Approve, review and monitor the Group's risk management strategy, internal controls and reporting systems (including their establishment and maintenance), evaluating their effectiveness and identifying and rectifying significant deficiencies.
- (b) Review and monitor the adequacy, effectiveness, and integrity of the Group's management information systems and internal control systems, including systems for ensuring compliance with applicable laws, regulations, rules, directives and guidelines.
- (c) Review material litigations, transactions and reports to external parties, which may impact the Company and may attract adverse public, government, regulatory and other interest.
- (d) Maintain a firm stance in encouraging the reporting of unlawful or unethical behaviours and ensuring employees and management are assured of protection where such reporting is made in good faith.
- (e) Set the Group's risk appetite and risk tolerance statements in alignment with the Group's vision and mission.
- (f) Approve strategy for cyber risk management, including policies and procedures governing cyber risk.

2.3 Human Capital

- (a) Appointment of Board members, Board Committee members, the CEO, the CFO, Company Secretary and senior management.
- (b) Ensure that senior management has the necessary skills and experience, and there are measures in place to provide for orderly succession of the Board and senior management.

2.4 Communication with Shareholders and Stakeholders

Oversee the development and implementation of a shareholders' communication policy for the Company to ensure effective communication with its shareholders and other stakeholders.

2.5 General

Ensure the integrity of the Company's financial and non-financial reporting.

3. Board Composition

- 3.1 The Board shall consist of qualified individuals with diverse set of skills, experience and knowledge necessary to govern the Company. The composition and size of the Board is such that it facilitates decision-making.
- 3.2 The number of directors shall not be less than two (2) or more than eleven (11) all of whom shall be natural persons, unless otherwise determined by a general meeting. The Board should consist of a Chairman and a suitable number of executive directors and non-executive directors.
- 3.3 At least two (2) directors or one-third (1/3) of the total number of directors on the Board, whichever is the higher, must be independent directors.
- 3.4 If the number of directors of the Company is not three (3) or a multiple of three (3), then the number nearest one-third (1/3) must be used.
- 3.5 In the event of any vacancy in the Board, resulting in non-compliance with subparagraph 3.3 above, the Board must ensure that the vacancy is filled within three (3) months.
- 3.6 The positions of Chairman and the CEO should be held by different individuals, and the Chairman must be a non-executive member of the Board.
- 3.7 The tenure of an independent director should not exceed a cumulative term of nine (9) 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. Subject to obtaining the approval of the Company's shareholders, the Board may recommend and provide strong justification in the event it retains an independent director who has served for a cumulative term of nine (9) years as an independent director of the Company.
- 3.8 The Board acknowledges the importance of board diversity, including diversity in gender, nationality and age, to the effective functioning of the Board. Female representation will be considered when vacancies arise and suitable candidates are identified, underpinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objectives.

4. Board Committees

The Board has constituted board committees with clear written terms of reference to assist the Board in the discharge of its duties:

- (a) Group Executive Committee
- (b) Remuneration Committee
- (c) Audit Committee
- (d) Share Buy-back Committee
- (e) Nominating Committee; and
- (f) Sustainability & Risk Management Committee

(collectively the "Committees")

The Committees shall operate under their respective terms of reference. The Committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their terms of reference and the Chart of Authority in force ("COA"). The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

Although the Board has granted discretionary authority to the Committees to deliberate and decide on certain operational matters as set out in their respective terms of reference and the COA, the responsibility for final decision on all matters lies with the Board.

5. Directors' Commitment

- 5.1 Each director shall devote sufficient time to fulfil his or her responsibilities as a member of the Board and of any of the Committees to which he or she may be appointed.
- 5.2 Each director will attend substantially all the meetings of the Board and substantially all the meetings of such of the Committees on which the director serves.
- 5.3 The directors should notify the Chairman before accepting any new directorship. The notification by the director should include an indication of time that will be spent on the new appointment.

6. Role of the Chairman

- 6.1 The roles and responsibilities of the Chairman and the CEO are to be kept distinct and separate.
- 6.2 The Chairman is responsible for ensuring the Board's effectiveness and conduct as described below whilst the CEO has overall responsibility over the business units and day-to-day management of the Group, organisational effectiveness and implementation of Board policies, strategies and decisions. The position of Chairman and the CEO shall be held by different individuals, and the Chairman must be a non-executive member of the Board.
- 6.3 The role of the Chairman includes, amongst others, the following:
 - (a) to provide leadership to the Board for effective discharge of its duties and responsibilities;
 - (b) to lead the Board in establishing and monitoring good corporate governance practices within the Group;
 - (c) to chair Board meetings and ensure the efficient organisation and conduct of the meetings;
 - (d) to determine the agenda for, and frequency of Board meetings (in consultation with the CEO where appropriate);
 - (e) to promote constructive and respectful relations between directors, and between the Board and management;
 - (f) to chair general meetings, and ensure a smooth, open and constructive dialogue between the Board and the shareholders; and
 - (g) to ensure appropriate steps are taken to provide effective communication between the Board and the stakeholders.

7. Role of the CEO

The CEO is appointed by the Board to be overall responsible for the efficient and effective management of the Group's operations and businesses, in accordance with the strategic direction of the Board. The CEO is accountable to the Board and the responsibilities include, amongst others:

- (a) to develop and recommend corporate strategies, strategy and vision of the Group to the Board;
- (b) to ensure the efficiency and effectiveness of the operations of the Group;
- (c) to ensure appropriate policies are formulated and implemented;
- (d) to assess business opportunities which are of potential benefit to the Group;

- (e) to achieve performance goals and targets through the regular review of the businesses with senior management; and
- (f) to bring material and other relevant matters to the attention of the Board in a timely and accurate manner.

8. Role of the Non-Executive Directors

The role of the non-executive directors includes, amongst others:

- (a) to provide independent and objective views, advice and judgement to ensure that the interests of the Group, shareholders and stakeholders are well taken into account;
- (b) to bring impartiality and scrutiny to Board deliberations and decision-making, and also serve to stimulate and challenge the management in an objective manner; and
- (c) to constructively challenge and contribute to the development of the business strategies and direction of the Group.

9. Role of the Senior Independent Director

The role of the senior independent director includes, amongst others:

- (a) to act as a sounding board and source of advice for the Chairman;
- (b) to lead the succession planning and appointment of Board members and CEO;
- (c) to lead the annual evaluation of the effectiveness of the Board and Board Committees, and ensure that the performance of each individual director is independently assessed;
- (d) to serve as an intermediary for other directors when necessary; and
- (e) to serve as the point of contact for shareholders and all other stakeholders.

10. Role of the Company Secretary

The Board shall be supported by a suitably qualified and competent company secretary who is accountable to the Board and is responsible for:

- (a) organising meetings of Board, Board Committees and shareholders, managing meeting processes and preparing the minutes thereof;
- (b) preparing meeting agendas in consultation with the Chairman and the CEO;
- (c) compiling and circulating meeting folders;
- (d) advising the Board on its roles and responsibilities;
- (e) advising the Board on procedural and regulatory requirements;
- (f) supporting the Board on adherence to Board policies and procedures;
- (g) providing a point of reference for dealings between the Board and the management;
- (h) communicating with regulatory bodies;
- (i) attending to all statutory and other filings;
- (j) facilitating the orientation of new directors and assisting in directors' training and development; and

- (k) ensuring compliance with the statutory requirements of the Companies Act 2016, the Listing Requirements and other rules and regulations.

11. Directors' Access to Information and Advice

- 11.1 At the request of the Board, management is obliged to provide the Board with complete, adequate and timely information prior to Board meetings and on an on-going basis. The information to be provided includes financial results, key issues, market and business developments to enable the directors to keep abreast of the Group's operational and financial performance.
- 11.2 The Board also has separate and independent access to the Company's senior management and the company secretary.
- 11.3 The directors, either as a group or individually may, at the Company's expense, seek and obtain independent professional advice where necessary to discharge its or their duties effectively.

12. Directors' Compensation

- 12.1 The determination of the remuneration of the executive directors will be a matter to be decided by the Board as a whole. The mechanism for remuneration for executive directors is structured in a manner wherein an executive director is rewarded based on the Company's performance and also individual performance.
- 12.2 Remuneration for non-executive directors shall be decided by the Board and then recommended to the shareholders of the Company for approval. They shall be commensurate with the non-executive directors' responsibilities, time commitment, experience, expertise and the complexity of the Company's activities.

13. Directors' Induction and Continuing Education Programmes

- 13.1 The Board shall maintain an induction programme for new directors to be conducted by the CEO and/or senior management of the Company.
- 13.2 In addition to the Mandatory Accreditation Programme as required by Bursa Securities, the Board shall evaluate and determine the training needs of its directors on an on-going basis by arranging suitable continuing education programmes.

14. Meetings of the Board

- 14.1 The Board meets at least four (4) times annually, with additional meetings to be convened when necessary to review financial, operational and business performances. Board meetings for each financial year are scheduled before the end of the preceding financial year.
- 14.2 Board papers are dispatched to directors at least five (5) business days in advance before Board meetings so that directors have sufficient time to consider the background and explanatory information relating to matters to be tabled and discussed at relevant Board meetings. Senior management may be requested to attend Board meetings to provide additional insights into matters to be discussed.

15. Annual Performance Evaluation of the Board, Board Committees and Individual Directors

- 15.1 The Board, through the Nominating Committee, conducts an annual evaluation on its effectiveness as a whole, each individual director and the Committees established by the Board.
- 15.2 The Board shall undertake an assessment of its independent directors annually. This responsibility is delegated to the Nominating Committee.

16. Code of Business Ethics and Conduct

- 16.1 The Company has 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 Company's policies.
- 16.2 The Group has in place a Whistle-Blowing 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 or other matters. All cases are independently investigated and appropriate actions taken where required.

17. Review of Board Charter

The Board shall review the Charter on a regular basis and may from time to time amend the Charter as it deems appropriate to reflect changing legal, regulatory and ethical standards.

18. Strategies on Promoting Sustainability

The Board shall formulate on-going programmes to promote sustainability, where attention is given to environmental, social and governance aspects of business which underpins sustainability. The Group shall disclose these policies and their implementation in the annual report and the corporate website.

(End of Board Charter)