



FRASER & NEAVE HOLDINGS BHD

60TH ANNUAL GENERAL MEETING

**RESPONSES TO OTHER
QUESTIONS FROM
SHAREHOLDERS**

QUESTION 1



May I know what will be the impact on the government new sugar tax over the company' products ?

- *Teh Peng Tin*

good morning bod, Do management foresee how many % of gross margin will be affected after the excise duty for sugars implemented during 2022

- *Tnio Boon Chuan*

Our Response:

- *The proposed sugar tax expansion to include premix will have very minimal impact on our current portfolio of products.*

QUESTION 2



- a. In the group's view, to what extent will the supply chain and inflationary pressures impact the group's performance moving forward?
- b. Can this impact be quantified at this juncture?
- c. What mitigating steps has the group considered (e.g. raise prices)?

- *Hardevi D/O Jivatram*

Our Response:

- *In FY2021, we incurred more than RM150 million impact on raw material costs alone, which we have absorbed considerably through cost containment and operational efficiency efforts. Generally, input and freight costs remain high in FY2022 and will add pressure to our margins.*
- *For FY2022, we will continue to prioritise improving and managing our costs. This will include reviewing our trade spend, smart procurement to obtain better prices or value in addition to active hedging, insourcing of services to minimise cost, and investing in capex to extract efficiency.*
- *Leveraging our strong manufacturing capability and diverse range of products and packaging, we will adjust our product mix to maximise profitability. We are also taking a phased approach to increase prices gradually as a last resort.*

QUESTION 3



Over the past one year, we have seen rising commodities prices and logistic costs. Have our company raised the price of our products in order to pass through the cost? If so, on which products and what is the magnitude?

- *Law Kung Hoo*

Our Response:

- *Yes, we have gradually adjusted our prices after putting in other cost reduction measures. For the last financial year, our dairies segment has seen greater cost impact from commodities prices. Therefore, our price adjustment has been mainly in that segment.*

QUESTION 4



Would like to know whether the company production operation was affected in the recent flood?

If yes, is production back to normalcy & how about inventory level?

- *Lee Mun Hoe*

Our Response:

- *The operations at Shah Alam plant were affected by the recent flash floods from 18 to 19 December 2021. The crisis management team has ensured the continued safety of employees, a quick recovery turnaround and minimised operational disruption to business, with the Shah Alam plant resuming operations in stages by mid-January.*
- *As we have built up inventories to prepare for the festive season, impact on business has been partly mitigated.*
- *Nonetheless, the flood has resulted in delays to the listing of CNY stocks in the modern trade, especially 100PLUS CNY Gold Cans, and shortages of products due to damaged stocks meant for East Malaysia.*

QUESTION 5



- a. What is your succession planning for retired directors as the technology is so advanced that we need to embrace AI etc and need fresh strategy to combat rising inflation as we shareholders are affected greatly.
- b. Any KPI achieved by the present directors to double revenue or dividends.

- Loo Yeo Ming

Our Response:

- a. *The Nominating Committee (NomCom) assists the Board in ensuring the existence of the right mix of skills, knowledge, experience, qualities, gender, nationality, age and other relevant attributes that contribute to the effective functioning of the Board. A Board Skills Matrix is used as reference for the Directors' continuing development and succession planning.*
- b. *Our Board comprises non-executive members. Thus, 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 and Independent Directors are conducted annually by an external consulting firm and facilitated by NomCom to ensure that the process remains robust and thorough.*

The Board Evaluation for the Financial Year 2021 was carried out by Aon Hewitt Singapore Pte Ltd, an independent consultant. Based on the findings, the Board and Board Committees had been effective in their overall discharge of functions and duties.

The Board also recognises the need to strengthen the following key areas :

- *the proactive role of the Board in governing digital transformation;*
- *accelerating Director development and Board refresh; and*
- *sustainability and environmental, social and governance issues.*

QUESTION 6



- c. Any Bonus issue?
- d. Regarding the high directors fees, what will the shareholders expect from your end? Normally shareholders expect double or triple net profit no matter what circumstances including flood as you should have contingencies plan. Also, we expect higher dividends instead of the same dividends as our cost of living is getting higher. Hope you all Directors can bring up the net profit, double dividends, bonus issue etc to delight shareholders.

- Loo Yeo Ming

Our Response:

- c. *Currently, we have no plan for any bonus issue. We are committed to enhancing shareholders' value by delivering and growing our dividend payout.*
- d. *We have policies and procedures in place to determine appropriate remuneration levels to attract and retain talent in the Board to drive the Company's long-term objectives.*

The competitiveness of total remuneration for Directors is assessed against companies in the food and beverage industry, companies with good governance practices, companies of similar asset size and companies in which the Company's directors are on board. Following shareholders' approval at the Company's AGM 2019, the last revision to directors' remuneration was in January 2019 and has since been maintained.

We note your feedback and would like to assure shareholders that we are doing all we can to ensure short term performance while also focusing on long term strategy execution.

QUESTION 7



In the event of persistent inflation, what will be the effect to the company directly or indirectly (if any) if interest rate rises.

- *Mohamad Akmal Arif Bin Mohd Zulkifli*

Our Response:

- *We are at a net cash position so we will be able to generate higher interest income when the interest rate increases. However, a higher interest rate may result in slower economic growth, which may affect the demand for our products, although our F&B industry will be relatively more resilient than other industries. A slower economy may also mean lower commodities prices, and that will reduce cost of our goods.*

QUESTION 8



Will RCEP help F&N 's business to grow?

- *Teo Meng Hock*

Our Response:

- *RCEP may help our export business, especially in the longer term. However, the key challenges for our export business now are potential supply chain disruptions and high logistics cost due to the ongoing Covid pandemic.*

QUESTION 9



If F&N intends to produce alcoholic drink and cocktail in view of increasing on the demand?

- *Lee Mun Hoe*

Our Response:

- *No, F&NHB is a Syariah-compliant company that produces 100% halal products.*

QUESTION 10



And just wondering why are some products specifically for one part of Malaysia or another country and not available in West Malaysia such as in KL?

- *Tan Jia Juen*

Our Response:

- *There are several factors that include but are not limited to, the source of product, regulatory, distribution agreements, consumer preferences and readiness, brand equity, comparative advantage in the market and costing, etc.*



THANK YOU