

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 3689  
**COMPANY NAME** : NEAVE HOLDINGS BHD  
**FINANCIAL YEAR** : September 30, 2021

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

#### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board provides entrepreneurial leadership, sets strategic directions and oversees the business affairs of the Fraser &amp; Neave Holdings Bhd ("FNHB") Group and management effectiveness. The Board also ensures that proper processes are in place for evaluating the adequacy of internal controls, risk management, financial reporting and compliance; and sets the Group's values and standards.</p> <p>The Group has Vision and Mission Statements outlining its primary goals and purposes, which guide the employees towards achieving its strategic objectives.</p> <p>The Board is guided by a Board Charter in discharging its duties and responsibilities effectively. The Board has delegated certain functions to management and the Board Committees, namely the Group Executive Committee ("EXCO"), Audit Committee ("AuditCom"), Sustainability &amp; Risk Management Committee ("SRMCom"), Remuneration Committee ("RemCom"), Nominating Committee ("NomCom"), and Share Buy-Back Committee. The delegation of authority to the Board Committees, the Chief Executive Officer ("CEO") and senior management are set out in the terms of reference ("TOR") of the Board Committees, the Board Chart of Authority ("COA") and the Management COA respectively.</p> <p>The Board Charter and TOR of the Board Committees are available on the Company's website at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p> <p>As set out in the Board Charter, the Board assumes, among others, the following responsibilities:</p> <ul style="list-style-type: none"> <li>• promotes together with senior management, good corporate governance culture and integrity within the Group, which reinforces ethical, prudent and professional behavior including zero tolerance for corruption;</li> <li>• reviews, adopts and monitors the implementation by management of the Group's strategic and financial plans;</li> <li>• ensures that the Group's strategic plan supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;</li> <li>• oversees and evaluates the conduct of the Group's businesses to ensure that the business is properly managed and management's performance can be assessed;</li> </ul>

- ensures the integrity of the Company's financial and non-financial reporting;
- approves, reviews and monitors the Group's risk management strategy, internal controls and reporting systems, including those in relation to anti-bribery and anti-corruption, evaluates their effectiveness and identifies and rectifies significant deficiencies;
- reviews and monitors the adequacy, effectiveness and integrity of the Group's management information systems, internal control systems and anti-corruption system for ensuring compliance with applicable laws, regulations, rules, directives and guidelines;
- sets the Group's risk appetite and risk tolerance, including those in relation to anti-bribery and anti-corruption in alignment with the Group's vision and mission;
- approves strategy for cyber risk management, including policies and procedures governing cyber risk;
- approves strategy for bribery and corruption risk management and has primary oversight of the implementation of the Group's anti-corruption system, including policies and procedures governing bribery and corruption risk;
- ensures 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; and
- oversees the development and implementation of a shareholder communication policy for the Company to ensure effective communication with its shareholders and other stakeholders.

The Board COA clearly sets out the key matters reserved for the Board's deliberation and decision to ensure the direction and control of the Group's businesses are in its hands. The key matters reserved for the Board for decision include the following matters of the Group:

- adoption of the Company's strategic plans;
- approval of annual business plan and budget;
- approval of financial statements and accounting policies;
- declaration of interim dividends and recommendation of final dividends by the Company;
- acceptance of banking facilities and approval of debt programmes and derivative instruments;
- issuance of corporate guarantee;
- Group funding and restructuring proposals;
- foreign exchange covers/translation policy;
- revaluation of fixed assets;
- capital expenditures, operating expenditures, cash/non-cash donations that exceed the authority limit of the CEO and the EXCO;
- sale and acquisition of land, properties, equities and businesses; and
- related party transactions ("RPTs") relating to brand licensing, i.e. disposal and acquisition of trademark and other RPTs that exceed the authority limit of the AuditCom.

In the financial year ended 30 September 2021 ("Financial Year 2021"), the Board carried out the following activities:

- approved annual business plan, budget and major capital expenditure;
- reviewed and approved the last quarter financial results and audited financial statements for the Financial Year 2020;

	<ul style="list-style-type: none"> <li>• reviewed and approved quarterly financial results for the Financial Year 2021;</li> <li>• approved press releases relating to financial results;</li> <li>• approved audit and non-audit fees;</li> <li>• reviewed and recommended the re-appointment of KPMG PLT as the auditors of the Company;</li> <li>• recommended a final dividend for shareholders' approval and approved an interim dividend;</li> <li>• approved AuditCom Report, Corporate Governance Overview Statement, NomCom Report, Statement on Risk Management and Internal Control, Statement on Directors' responsibility for preparation of financial statements and Sustainability Report for disclosure in annual report;</li> <li>• approved circular to shareholders on recurrent related party transactions and statement on share buy-back;</li> <li>• approved the Company's establishment of a new employee share grant plan;</li> <li>• approved the establishment of an Islamic Commercial Papers ("ICP") Programme for the issuance of ICP and an Islamic Medium Term Notes ("IMTN") Programme for the issuance of IMTN under the Shariah principle of Murabahah (via a Tawarruq arrangement) with a combined limit of up to RM3 billion in nominal value by the Company's wholly-owned subsidiary, F&amp;N Capital Sdn Bhd, guaranteed by the Company;</li> <li>• approved the acquisition of the entire equity interest in Sri Nona Food Industries Sdn Bhd, Sri Nona Industries Sdn Bhd and Lee Shun Hing Sauce Industries Sdn Bhd by the Company's wholly-owned subsidiary, Awana Citra Sdn Bhd;</li> <li>• reviewed the Company's current corporate governance practices and the proposed action plan for the Company to adopt enhanced practices in the revised Malaysian Code on Corporate Governance which came into effect on 28 April 2021 ("MCCG 2021");</li> <li>• reviewed and approved revisions to the Property, Plant and Equipment Policy;</li> <li>• reviewed and approved revisions to the Board COA, Management COA, Risk Appetite and Risk Tolerance Statements;</li> <li>• received minutes of Board Committee meetings on a quarterly basis;</li> <li>• reviewed evaluation results of the Board, Board Committees, Directors Self/Peer and Independent Directors for the Financial Year 2021;</li> <li>• approved the appointment of Y.Bhg. Dato' Ng Wan Peng as an Alternate Director to Y.Bhg. Dato' Sri Johan Tazrin bin Hamid Ngo;</li> <li>• received quarterly updates on movement of staff in middle and senior management level;</li> <li>• received updates on operations and ongoing projects;</li> <li>• received monthly treasury reports; and</li> <li>• received summaries of dealings in the Company's shares notified by directors of the Company's major subsidiaries.</li> </ul>
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<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board, Y.A.M. Tengku Syed Badarudin Jamalullail plays a key role in ensuring the effective functioning of the Board and instilling good corporate governance practices.</p> <p>The Chairman's roles and responsibilities are specified in the Board Charter, which is available on the Company's website at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p> <p>The main roles of the Chairman include the following:</p> <ul style="list-style-type: none"><li>• provides leadership to the Board for effective discharge of its duties and responsibilities;</li><li>• leads the Board in establishing and monitoring good corporate governance practices within the Group;</li><li>• chairs Board meetings and ensures the efficient organisation and conduct of the meetings;</li><li>• determines the agenda for, and frequency of Board meetings (in consultation with the CEO where appropriate);</li><li>• promotes constructive and respectful relations between Directors, and between the Board and management;</li><li>• chairs general meetings, and ensure a smooth, open and constructive dialogue between the Board and shareholders; and</li><li>• ensures appropriate steps are taken to provide effective communication between the Board and stakeholders.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.3**

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The distinct and separate roles and responsibilities of the Chairman and the CEO are provided in the Board Charter, which is available on the Company's website at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p> <p>The Chairman of the Board is primarily responsible for ensuring the Board's effectiveness and conduct by focusing on strategy, governance and compliance; 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.</p> <p>The CEO of the Company, Mr. Lim Yew Hoe 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 strategic plans, instructions and directions of the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company Secretary, Mr. Timothy Ooi has a legal qualification and is qualified to act as company secretary under the Companies Act 2016.</p> <p>He has attended relevant continuous professional development programmes as required by the Companies Commission of Malaysia.</p> <p>The roles and responsibilities of the Company Secretary are set out in the Board Charter, which is available on the Company's website at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p> <p>The main roles of the Company Secretary include:</p> <ul style="list-style-type: none"><li>• advises the Board on statutory and regulatory requirements of the relevant acts, rules and regulations;</li><li>• facilitates compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the relevant acts and regulations;</li><li>• assists the Board in promoting high standards of corporate governance within the Group;</li><li>• facilitates communication between the Board and management;</li><li>• acts as secretary to the Board Committees and the Company's subsidiaries; and</li><li>• organises and attends meetings of the Board, Board Committees and shareholders; ensures that meetings are properly convened, deliberations at meetings are well documented and effectively communicated to relevant management for appropriate actions, minutes of meetings and records of resolutions passed are maintained accordingly at the registered office.</li></ul> <p>During the Financial Year 2021, the Company Secretary had also assisted in conducting an induction programme for Y.Bhg. Dato' Ng Wan Peng, who was appointed as an Alternate Director to Y.Bhg. Dato' Sri Johan Tazrin bin Hamid Ngo on 30 July 2021 and organising an in-house development programme for Directors.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in discharging its functions during the Financial Year 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

**Practice 1.5**

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Board meetings and meetings of Board Committees for each financial year are scheduled in advance for Directors to plan their schedule ahead. Additional or special meetings may be convened as and when necessary to enable the Board and Board Committees to deliberate and decide on any urgent proposals/matters.</p> <p>As provided in the Board Charter, a formal agenda together with meeting papers are to be forwarded to all Directors five business days before Board meetings and meetings of Board Committees for Directors to be prepared to deal with matters arising from such meetings and to enable them to make informed decisions. Urgent papers may be presented at meetings under the item "Any Other Matters", subject to the approval of both the Chairman of the Board or Board Committees and the CEO.</p> <p>Also, all meeting papers are shared with Directors via electronic means.</p> <p>For effective conduct of meetings, meeting agenda is organised by taking into consideration the complexity of the proposals/matters to be deliberated. An indication as to whether the matters are for approval, discussion or notation purpose with time allocated for each agenda item is also included in the meeting agenda.</p> <p>Meeting papers are reviewed by the CEO or relevant Head of Department prior to circulation to ensure that they contain comprehensive and accurate information for effective deliberation and decision-making at meetings.</p> <p>When necessary, management team and external advisers are invited to attend meetings to provide insights, professional views, advice and explanation on specific items on the meeting agenda.</p> <p>All key deliberations and decisions at Board meetings and meetings of Board Committees are duly recorded in the respective minutes of meetings. The Company Secretary will inform the relevant management of decisions/recommendations made by the Board or Board Committees for appropriate actions to be taken. Status of matters arising from previous meetings will be presented at the next meetings for update/discussion until completion.</p> <p>After meetings, minutes are circulated for Directors' review before tabling for confirmation at the next meetings. Minutes of Board Committees are presented at Board meetings for notation.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website.

The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board Charter clearly defines the respective roles and responsibilities of the Board, Board Committees, Chairman of the Board, Non-Executive Directors, Senior Independent Director, CEO and Company Secretary. The Board Charter also outlines the procedures and practices for effective functioning of the Board.</p> <p>The key matters reserved for the Board's deliberation and decision are set out in the Board COA.</p> <p>The Board Charter is available on the Company's website at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p> <p>The Board conducts regular review of the Board Charter and the Board COA to ensure they remain consistent with the Board's objectives and in line with the applicable rules, laws and regulations. The Board COA was reviewed and revised during the Financial Year 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Directors, officers, employees and business associates of the Group 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 including those relating to anti-bribery and anti-corruption.</p> <p>Business partners of the Group share the responsibilities in applying the fundamental principles of integrity, respect and excellence in all aspects of the Group business practices. They are refrained from all 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.</p> <p>The Group has in place a Code of Business Ethics and Conduct ("Code") which sets out the standards and ethical conduct expected of all employees in the course of their employment with the Group. The Code has provisions governing, among others, protection of company's assets, confidential information, accuracy and completeness of accounting records and reports, discrimination and harassment, product quality, anti-competitive behaviour and conflict of interest.</p> <p>The Group takes a "zero-tolerance" approach to all forms of bribery and corruption and is committed to uphold all applicable laws in relation to anti-bribery and anti-corruption. As guided by the Guidelines on Adequate Procedures issued pursuant to section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009, the Board has established a system with relevant policies and procedures to manage bribery and corruption risks of the Group, which include an Anti-Bribery and Anti-Corruption Policy and a Code of Business Practices for Third Parties.</p>

<b>Explanation on application of the practice</b>	<p>: A Fraud Control Policy is also in place to protect the revenue, assets and reputation of the Group from loss or damage due to fraud. The 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 the Group. 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 the existing policies and procedures.</p> <p>The aforesaid codes and policies of the Group are published on the Company’s website at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p>
<b>Explanation for departure</b>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<b>Measure</b>	<p>:</p>
<b>Timeframe</b>	<p>:</p>

**Intended Outcome**

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

**Practice 3.2**

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Group has adopted its 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.</p> <p>Allegations of improprieties which are reported via whistleblowing channels such as a dedicated hotline and email account are appropriately followed up and the outcome(s) will be reported at the AuditCom meetings.</p> <p>The Board will periodically review the Whistleblowing Policy, which is available on the Company's website at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.1**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority of independent directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of independence and objectivity in its decision-making process.</p> <p>The Board currently comprises eleven Non-Executive Directors; six of whom are independent and five are non-independent including the Chairman and four nominees of the controlling shareholder, Fraser and Neave, Limited. Representation of Independent Directors on the Board remained at 55% throughout the Financial Year 2021.</p> <p>Based on the Independent Directors' yearly confirmation of their independence and annual Director self/peer evaluation for the Financial Year 2021, the Board was satisfied that the Independent Directors continued to exercise independent and objective judgement and acted in the interest of the Company and its stakeholders.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.2**

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable – Step Up 4.3 adopted	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>Based on the Company's Policy on Independence of Directors, the tenure of an Independent Director shall not exceed a cumulative of nine years and shall not be further extended unless the Independent Director is re-designated as Non-Independent. As it is not contemplated that any Independent Director will continue to serve on the Board as a Non-Independent Director, the Board, through the NomCom, shall be entitled to commence a search for replacement of an outgoing Independent Director prior to the end of the anticipated nine-year term.</p> <p>The Policy on Independence of Directors is available on the Company's website at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p> <p>Y.Bhg. Dato' Sri Johan Tazrin bin Hamid Ngo, an Independent Director is to retire by rotation in accordance with Clause 100 of the Company's Constitution at the Company's Annual General Meeting ("AGM") to be held on 17 January 2022. In line with the Policy on Independence of Directors, Y.Bhg. Dato' Sri Johan will not be seeking re-election as his nine-year term as an Independent Director will end on 22 January 2022. His retirement from the Board will take effect upon conclusion of the AGM 2022.</p>

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.4**

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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 at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p> <p>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.</p> <p>A Board Skills Matrix has been used as reference for the Directors' continuing development and succession planning. The current Board as a whole possesses a diverse set of skills, experience and expertise, which are necessary to govern the Group and in relation to the following:</p> <ul style="list-style-type: none"> <li>• food and beverage business;</li> <li>• financial and accounting;</li> <li>• legal practice, human resource and labour relations;</li> <li>• strategy and analytics;</li> <li>• sales and marketing;</li> <li>• information technology;</li> <li>• supply chain management and logistics; and</li> <li>• corporate governance, risk management and internal controls.</li> </ul> <p>In assessing the suitability of Directors for appointment to the Board, the NomCom will take into consideration the skills, knowledge, expertise and experience, professionalism, integrity, competencies, commitment, contribution, performance, gender, nationality, age and cultural background of candidates.</p> <p>The RemCom will consider and approve the appointment of senior executives, excluding the CEO whose appointment shall be approved by the Board based on the RemCom's recommendation. For appointment of senior executives, the RemCom also assesses potential candidates based on the aforesaid criteria.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Board has in place a Board Diversity Policy, which recognises Board diversity including gender diversity as an essential measure of good corporate governance and an attribute of a well-functioning board.</p> <p>The Board is of the view that while selection of candidates for appointment to the Board will be based on a range of diversity perspective including gender, merit and contribution that the selected candidates will bring to the Board should be prioritised in deciding appointments to the Board.</p> <p>Women representation on the Board remained at 27% throughout the Financial Year 2021.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	<p>The Board through the NomCom has been identifying suitable female candidates for appointment to the Board to increase its women representation.</p> <p>In November 2021, the Board through the NomCom reviewed and evaluated the proposed appointment of Y.Bhg. Dato' Ng Wan Peng as an Independent Director to fill the anticipated casual vacancy arising from the retirement of Y.Bhg. Dato' Sri Johan Tazrin bin Hamid Ngo at the conclusion of the Company's AGM 2022. Premised on the evaluation, the Board recommends the proposed appointment for shareholders' approval at the forthcoming AGM in January 2022. The Board will have 36% women Directors if the proposed appointment is approved by shareholders.</p>	
<b>Timeframe</b>	:	Others	By the Company's forthcoming AGM in January 2022.

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NomCom assists 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.</p> <p>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 searches 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 Securities.</p> <p>During the Financial Year 2021, the Board and the NomCom considered candidates recommended by Directors and external sources including LeadWomen in identifying a suitable candidate to fill the anticipated casual vacancy arising from the forthcoming retirement of Y.Bhg. Dato' Sri Johan Tazrin bin Hamid Ngo at the conclusion of the AGM 2022.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The NomCom is chaired by Y.Bhg. Dato' Sri Johan Tazrin bin Hamid Ngo, who is an Independent Director.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board through the NomCom conducts an annual evaluation to determine the effectiveness of the Board as a whole, Board Committees and individual Directors (“Board Evaluation”). The Board Evaluation includes assessment of the independence of the Independent Directors.</p> <p>The Board Evaluation for the Financial Year 2021 (“BE FY2021”) was carried out by Aon Solutions Singapore Pte Ltd (formerly known as Aon Hewitt Singapore Pte Ltd), an independent consultant, through questionnaires and an online survey system. The questionnaires facilitated evaluation of the Board, Board Committees, Directors self and peer as well as independent Directors. The criteria/areas for assessment are set out in the NomCom Report of the Annual Report 2021.</p> <p>The BE FY2021 results and all related comments by Directors were summarised and discussed at the NomCom meeting and the Board meeting held in August 2021 respectively. Based on the findings, the Board and Board Committees had been effective in their overall discharge of functions and duties. The Board recognises the need to prioritise the following areas:</p> <ul style="list-style-type: none"><li>• driving adaptive governance in response to the COVID-19 pandemic in five critical areas, i.e. (i) engagement with management, (ii) maintaining Board effectiveness, (iii) evaluation of management’s performance and pay, (iv) communication with stakeholders and (v) managing long-term risks and opportunities;</li><li>• ensuring effective human capital management by focusing on people related costs and risks as well as workforce agility and resilience; periodically assessing the Group’s leadership, talent and culture readiness for technological change and future workforce models; and</li><li>• anticipating and effectively managing disruptive risks together with management.</li></ul> <p>As part of the ongoing initiatives to enhance the Board’s effectiveness in overseeing the Group’s sustainability and its underlying environmental, social and governance (“ESG”) issues, the Company has scheduled four training modules in the Financial Year 2022 to be conducted by an external ESG consultant for Directors as well as senior management of the FNHB Group.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has in place policies and procedures to determine appropriate levels of remuneration to attract and retain talent in the Board and senior management to drive the Company's long-term objectives. The Directors' Remuneration Policy and Senior Management's Remuneration Policy are reviewed periodically. The policies are available on the Company's website at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p> <p>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 based on level of responsibilities and overall contributions to the Company's long-term objectives.</p> <p>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 a Directors and Officers Insurance Policy essentially covering the acts of Directors and Officers and a Personal Accident Insurance Policy for Directors.</p> <p>Directors' fees and benefits payable to Directors are subject to yearly approval by shareholders at the Company's AGM.</p> <p>Based on the Directors' Remuneration Policy, Directors' fees and meeting allowances are reviewed every two years.</p> <p>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.</p>

	<p>The last Board remuneration review was conducted by an independent consultant, Aon Solutions Singapore Pte Ltd (formerly known as Aon Hewitt Singapore Pte Ltd) in October 2018. Following shareholders' approval at the Company's AGM 2019, Directors' fees and meeting allowances of the Company were revised in January 2019 to reflect the prevalent market rates and the duties, responsibilities and commitment of the respective Board Committees and Chairmen of Board Committees.</p> <p>Considering the current economic uncertainties and the Group's ongoing efforts to manage the FNHB Group's operational costs effectively, RemCom had agreed to maintain the current Directors' fees and meeting allowances and further defer the Board remuneration review to 2022.</p>	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The RemCom comprises five Non-Executive Directors; three of whom are Independent Directors.</p> <p>The primary functions of the RemCom are to assist the Board in the following:</p> <ul style="list-style-type: none"><li>• establishing remuneration policies and procedures;</li><li>• reviewing remuneration packages of Directors and senior executives and performance evaluations of senior executives;</li><li>• reviewing proposals on overall bonus and salary increment and establishment of long-term incentive plans for the Group; and</li><li>• administering the share grant plan and any other incentives plans to be established by the Company.</li></ul> <p>The RemCom's authority, duties and responsibilities are defined in the terms of reference, which is available on the Company's website at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p> <p>The Board through the NomCom had assessed the RemCom's performance for the Financial Year 2021. The Board is satisfied with the RemCom's performance based on the evaluation results for the Financial Year 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied																																																																																								
<b>Explanation on application of the practice</b>	:	<p>Details of remuneration paid to Directors of the Company for the Financial Year 2021 are as follows:</p> <table border="1"><thead><tr><th colspan="2" rowspan="2">Directors</th><th colspan="4">Remuneration paid by the Company</th></tr><tr><th>Fees RM</th><th>Meeting Allowances RM</th><th>Benefits (Note) RM</th><th>Total RM</th></tr></thead><tbody><tr><td>1.</td><td>Y.A.M Tengku Syed Badarudin Jamalullail</td><td>162,000</td><td>29,000</td><td>24,693</td><td>215,693</td></tr><tr><td>2.</td><td>Mr. Lee Meng Tat</td><td>99,000</td><td>24,500</td><td>600</td><td>124,100</td></tr><tr><td>3.</td><td>Mr. David Siew Kah Toong</td><td>104,000</td><td>24,500</td><td>600</td><td>129,100</td></tr><tr><td>4.</td><td>Y.Bhg. Dato' Sri Johan Tazrin bin Hamid Ngo</td><td>97,000</td><td>24,500</td><td>600</td><td>122,100</td></tr><tr><td>5.</td><td>Mdm. Tan Fong Sang</td><td>97,500</td><td>22,500</td><td>600</td><td>120,600</td></tr><tr><td>6.</td><td>Y.Bhg. Dato' Jorgen Bornhoft</td><td>90,000</td><td>17,500</td><td>600</td><td>108,100</td></tr><tr><td>7.</td><td>Mr. Hui Choon Kit</td><td>100,000</td><td>22,500</td><td>600</td><td>123,100</td></tr><tr><td>8.</td><td>Puan Aida binti Md Daud</td><td>82,500</td><td>14,500</td><td>600</td><td>97,600</td></tr><tr><td>9.</td><td>Puan Faridah binti Abdul Kadir</td><td>84,000</td><td>16,500</td><td>600</td><td>101,100</td></tr><tr><td>10.</td><td>Y.Bhg. Datuk Mohd Anwar bin Yahya</td><td>85,000</td><td>14,500</td><td>600</td><td>100,100</td></tr><tr><td>11.</td><td>Y.Bhg Datuk Kamaruddin bin Taib</td><td>82,500</td><td>13,000</td><td>600</td><td>96,100</td></tr><tr><td>12.</td><td>Y.Bhg. Dato' Ng Wan Peng (appointed as an Alternate Director to Y.Bhg. Dato' Sri Johan Tazrin bin Hamid Ngo on 30 July 2021)</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td colspan="2"><b>Total</b></td><td><b>1,083,500</b></td><td><b>223,500</b></td><td><b>30,693</b></td><td><b>1,337,693</b></td></tr></tbody></table> <p>Note: Benefits include personal accident insurance premium for Directors.</p>	Directors		Remuneration paid by the Company				Fees RM	Meeting Allowances RM	Benefits (Note) RM	Total RM	1.	Y.A.M Tengku Syed Badarudin Jamalullail	162,000	29,000	24,693	215,693	2.	Mr. Lee Meng Tat	99,000	24,500	600	124,100	3.	Mr. David Siew Kah Toong	104,000	24,500	600	129,100	4.	Y.Bhg. Dato' Sri Johan Tazrin bin Hamid Ngo	97,000	24,500	600	122,100	5.	Mdm. Tan Fong Sang	97,500	22,500	600	120,600	6.	Y.Bhg. Dato' Jorgen Bornhoft	90,000	17,500	600	108,100	7.	Mr. Hui Choon Kit	100,000	22,500	600	123,100	8.	Puan Aida binti Md Daud	82,500	14,500	600	97,600	9.	Puan Faridah binti Abdul Kadir	84,000	16,500	600	101,100	10.	Y.Bhg. Datuk Mohd Anwar bin Yahya	85,000	14,500	600	100,100	11.	Y.Bhg Datuk Kamaruddin bin Taib	82,500	13,000	600	96,100	12.	Y.Bhg. Dato' Ng Wan Peng (appointed as an Alternate Director to Y.Bhg. Dato' Sri Johan Tazrin bin Hamid Ngo on 30 July 2021)	0	0	0	0	<b>Total</b>		<b>1,083,500</b>	<b>223,500</b>	<b>30,693</b>	<b>1,337,693</b>
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<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>For the Financial Year 2021, a total remuneration of RM9,308,000 was paid to the Group's top five senior management. Total remuneration of the Group's key management personnel is disclosed in Note 33 of the Company's Audited Financial Statements for the Financial Year 2021 as set out in the Annual Report 2021.</p> <p>Disclosing the senior management's remuneration in detail would be disadvantageous to the Group, given the competition for talent in the market and sensitive nature of remuneration packages.</p> <p>As guided by the Senior Management's Remuneration Policy, the remuneration packages of senior management are always benchmarked against the industry to ensure that the remuneration packages are commensurate with individual duties, responsibilities and performance as well as the Group's performance.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will continue to monitor development in the market in respect of the disclosure of senior management's detailed remuneration and evaluate the related implications for future consideration.
<b>Timeframe</b>	:	Within three years

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The AuditCom comprises four Non-Executive Directors, three of whom including the Chairman of the AuditCom, Mr. David Siew Kah Toong are Independent Directors. Mr. Siew is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>None of the Board members or AuditCom members was a former key audit partner of the Company's external auditors.</p> <p>The AuditCom's TOR contains a provision which requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the AuditCom.</p> <p>The Company will adopt the enhanced practice introduced by the MCCG 2021, i.e. a former partner of the Company's external auditors is to observe a cooling-off period of at least three years before being appointed as a member of the AuditCom. In this regard, the AuditCom's TOR will also be amended accordingly.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AuditCom conducts an annual assessment of the Company's external auditors to ensure that the external auditors are independent of the activities they audit, and reviews their contracts for provision of non-audit services.</p> <p>The areas of assessment include 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 AuditCom. Feedback based on the assessment areas is obtained from the AuditCom, 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.</p> <p>The AuditCom had conducted an evaluation of the external auditors, KPMG PLT for the Financial Year 2021. In facilitating the assessment of KPMG PLT, assessment forms were sent to the aforesaid participants for their feedback. Following review of the assessment result at its meeting in November 2021, the AuditCom recommended the re-appointment of KPMG PLT for shareholders' approval at the forthcoming AGM in January 2022.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>All members of the AuditCom, who 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 profile of the AuditCom members are disclosed in the Directors' Profile of the Annual Report 2021.</p> <p>The AuditCom is mindful of the need to continuously enhance their skills and knowledge in order to carry out their roles and duties effectively. The training programmes attended by the AuditCom members for the Financial Year 2021 are set out in the Corporate Governance Overview Statement of the Annual Report 2021.</p> <p>The AuditCom assists the Board, among others, to oversee the Group's accounting and financial reporting process, 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 2021 is set out in the AuditCom Report of the Annual Report 2021.</p> <p>The Board through the NomCom had assessed the AuditCom's performance for the Financial Year 2021. The Board is satisfied with the AuditCom's performance based on the evaluation results for the Financial Year 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

**Practice 9.1**

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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, details of which are set out in the Statement on Risk Management and Internal Control of the Annual Report 2021.</p> <p>The Board, through the SRMCom and the AuditCom, continually reviews and ensures the adequacy and effectiveness of the Group’s risk management and internal control systems.</p> <p>The SRMCom, at its quarterly meetings, 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 AuditCom reviews and assesses the adequacy of the internal control systems based on reports presented by management, external auditors and internal auditors during its meetings.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.2**

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Statement on Risk Management and Internal Control in the Company's Annual Report 2021 provides an overview of the Group's risk management and internal control framework as well as the adequacy and effectiveness of the framework.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**Intended Outcome**

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 10.1**

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AuditCom oversees the Internal Audit function, which is primarily responsible in assessing and improving the effectiveness of the risk management, internal control system and governance processes within the Group. Further details on the Internal Audit function and its activities are set out in the AuditCom Report of the Annual Report 2021.</p> <p>The AuditCom continually evaluates the Internal Audit function to ensure its activities are performed independently and with impartiality and due professional care.</p> <p>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 (“IIA Standards”) and the Code of Ethics. The said programme includes Internal Audit function’s annual self-assessment and assessment by a qualified independent consulting firm at least once every four years.</p> <p>The AuditCom had assessed the performance of the Internal Audit function during the Financial Year 2021 through an internal stakeholders’ satisfaction survey conducted by the Group Human Capital Department. Based on the survey findings, the Internal Audit function had been effective in performing its duties.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit function has been maintaining its independence and objectivity in carrying out its activities in accordance with the Internal Audit Charter. The Charter sets out the objectives, independence and objectivity, authority, responsibility and deliverables of the Internal Audit function, which are consistent with the IIA Standards issued by the International Internal Audit Standards Board.</p> <p>The Head, Internal Audit reports directly to the AuditCom Chairman and administratively to the CEO on matters relating to the administration of the Internal Audit Department.</p> <p>The Internal Audit Department is headed by Mr. Albert Loh, who holds a Bachelor of Commerce (Accounting &amp; Finance) from the University of Western Australia. He is a Certified Practising Accountant (CPA Australia) and a professional member of the Institute of Internal Auditors, Malaysia.</p> <p>Currently, the Internal Audit Department comprises six personnel with relevant qualifications and experience. 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.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>The Board and management continuously communicate with stakeholders, disclose and disseminate comprehensive and timely information through various channels of communications:</p> <ul style="list-style-type: none"><li>(a) announcements and disclosures to Bursa Securities, which include quarterly financial results, any material information that may affect investors' decision making and annual reports;</li><li>(b) briefing sessions with fund managers, investment analysts and media;</li><li>(c) general meetings of shareholders, which serve as the primarily platform for a direct two-way interaction between shareholders, the Board and senior management team of the Company; and</li><li>(d) the Company's corporate website, which provides information relating to among others, annual reports, quarterly financial reports, analysts briefing materials, corporate information, announcements released to Bursa Securities, Board Charter, TORs of Board Committees and policies of the Group.</li></ul> <p>Shareholders and the public can also direct their queries through the email contacts provided in the corporate website.</p> <p>The Board has in place a Shareholder Communication Policy, which is available on the Company's website at <a href="http://www.fn.com.my">www.fn.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company has to properly plan for adoption of the integrated reporting as it involves substantial expertise and resources, and will consider such adoption at an appropriate time.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Board and management have been taking reasonable steps to ensure that the current reporting in the Company's annual reports provides a fairly comprehensive information to stakeholders.	
<b>Timeframe</b>	:	Others	Target: three years

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company endeavours to issue its notice of AGM to shareholders at least 28 days prior to the AGM, well in advance of the 21-day requirement under the Companies Act 2016 and the Listing Requirements of Bursa Securities. This allows additional time for shareholders to make necessary arrangements to attend and participate in the AGM, to consider the proposed resolutions and make informed decisions at the AGM.</p> <p>The Company has been practising the issuance of the AGM notice 28 days ahead of the AGM date for its AGMs from 2018 onwards. The notice for the AGM on 19 January 2021 was issued on 21 December 2020.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All Directors are committed to attend the Company's general meetings, save for unforeseeable circumstances that are beyond their control. 10 Directors (including the Board Chairman and the respective Board Committee Chairmen) attended the Company's virtual AGM and Extraordinary General Meeting ("EGM") in January 2021. One Director attended the AGM but not the EGM due to another commitment.</p> <p>Management was also present at the AGM 2021 with the Company's external auditors and at the EGM 2021 with the Company's external advisers and legal counsels, to respond to shareholders' queries. The Board Chairman and management had addressed various questions on the Group's operational, financial and corporate governance matters at the AGM 2021 and questions on the Company's new employee share grant plan at the EGM 2021.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As part of the Company's precautionary measures against the COVID-19 pandemic, the Company conducted its AGM and EGM in January 2021 on a virtual basis through live streaming and remote participation and electronic voting facilities.</p> <p>The virtual general meetings 2021 facilitated remote participation and voting by shareholders or their proxies/corporate representatives appointed to attend and vote on their behalf. Shareholders had been informed of the detailed procedures for remote participation and voting as set out in the Company's Administrative Details for the AGM 2021 and the EGM 2021 respectively.</p> <p>Shareholders or their proxies/corporate representatives were able to submit their written questions via the designated website and meeting portals before and during the general meetings 2021. Questions received from shareholders including the Minority Shareholders Watch Group prior to the meetings and the Company's replies were presented at the respective meetings. The Chairman and management also addressed questions raised during the meetings, where possible, at the question and answer sessions.</p> <p>The Company has adopted electronic voting for the conduct of polls on all resolutions since its AGM 2017 for a more efficient voting process and accurate results. At the AGM 2021 and the EGM 2021, shareholders, proxies and corporate representatives were allowed to start their online voting at the beginning of the meetings upon declaration by the Chairman until the online voting was declared closed. The Company had appointed Boardroom Share Registrars Sdn Bhd as poll administrator to conduct the electronic polling process and Asia Securities Sdn Berhad as independent scrutineer to verify the poll results at the respective meetings.</p> <p>At the AGM 2021, participation was encouraging and total number of shareholders/proxies/corporate representatives who participated and voted were higher than the physical AGM 2020. Overall, more questions were posed compared to the AGM 2020.</p> <p>The respective minutes of the AGM 2021 and the EGM 2021 as well as pertinent questions (including questions which were not dealt with at the AGM 2021 due to time constraint) raised and answers to them were published on the Company's website within 30 business days after the meetings.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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