



FRASER & NEAVE HOLDINGS BHD

Policy on Independence of Directors

1. INTRODUCTION

The Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") prescribe that at least two (2) or 1/3 of the board of directors ("Board") of a listed issuer, whichever is the higher, must be independent directors. The Listing Requirements also prescribe that a majority of the members of the Audit Committee must be independent, including its chair.

The Malaysian Code on Corporate Governance 2021 ("MCCG") recommends the following:

- (a) At least half of the Board comprises independent directors. For Large Companies, the Board comprises a majority of independent directors.

Large Companies are companies on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalization of RM2 billion and above, at the start of the companies' financial year.

- (b) If the Board wishes to retain an independent director who exceeds a cumulative term of nine (9) years, he/she shall be re-designated as a non-independent director, unless the Board justifies and shareholders' approval is sought annually for him/her to remain as an independent director.

Large Companies are not encouraged to retain an independent director for a period of more than nine (9) years. Companies who intend to retain an independent director beyond nine (9) years are required to use a two-tier voting process to seek shareholders' approval annually.

Director independence is an important factor to enable the Board to properly exercise the key role of oversight of management and ensure that the decisions are made objectively and in the interest of all shareholders.

Independent directors also bring diversity and external perspective to board deliberations and are expected to make objective judgements free from any vested interest, or undue influence from interested parties (including management and major shareholders). As required by the MCCG, an annual assessment of the independence of directors will be conducted. This policy provides guidance on the process for the Nominating Committee and the Board.

2. PURPOSE

The purpose of this policy is to:

- (a) specify the considerations taken into account by the Board to assess the independence of each independent director; and
- (b) suggest the information that will be collected from each independent director to make the assessment of independence.

The Company will disclose the assessment of independent directors in the Company's annual report and if applicable, in any notice convening a general meeting for the appointment and retention of independent directors, providing such explanations and information as required by the Listing Requirements of Bursa Securities and MCCG.

3. TENURE

The tenure of an independent director shall not exceed a cumulative term of nine (9) 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 Nominating Committee, shall be entitled to commence a search for replacement of an outgoing independent director prior to the end of the anticipated nine (9)-year term.

4. TEST OF INDEPENDENCE

The test of independence that will be used by the Board to determine the independence of directors is whether the director is *“independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the listed issuer”*.

All facts and circumstances will be considered in determining the independence of a director under the test. It is not possible to explicitly provide for all circumstances that will indicate a conflict of interest or a material relationship. However, a director will normally be considered to be independent if he or she meets all the criteria described below.

It should be noted that a director may be considered by the Board to be independent even though the director does not meet one or more of the criteria specified below or where any other relationships or circumstances exist, which appear relevant to the Board’s assessment of independence. The Board has the responsibility, on the recommendation of the Nominating Committee, to make an assessment of a director’s independence.

Directors are required to update the Board of any change in relation to interests or relationships relevant to independence. Family ties and cross directorships may be relevant in considering interests and relationships, which may affect independence, and should be disclosed by directors to the Board. Independent directors will provide the Board with an annual confirmation of their independence based on the criteria set out below.

The Board will assess the independence of directors upon appointment and annually, and will re-assess determinations of independence when any new interests or relationships are disclosed by directors.

A director is independent if he or she:

- (a) is not, and has not been within the last three (3) years, an officer of FNHB or any related corporation of FNHB;

For this policy, “related corporation” means a corporation which is:

- (i) the holding company of another corporation;
- (ii) a subsidiary of another corporation; or
- (iii) a subsidiary of the holding company of another corporation.

For this purpose, “officer” has the meaning given in Section 2 of the Companies Act, 2016 but excludes a director who has served as an independent director in FNHB or any related corporation of FNHB for a cumulative period of less than twelve (12) years. “Officer” includes:

- (i) any director (other than independent director as stated above), secretary or employee of the corporation;
- (ii) a receiver and manager of any part of the undertaking of the corporation appointed under a power contained in any instrument; and
- (iii) any liquidator of a company appointed in a voluntary winding up, but does not include any receiver who is not also a manager; any receiver and manager appointed by the Court; or any liquidator appointed by the Court or by the creditors.

- (b) is not a major shareholder of FNHB or any related corporation of FNHB;

For this purpose, “major shareholder” means a person who has an interest or interests in one (1) or more voting shares in a corporation and the number or aggregate number of those shares, is:

- (i) 10% or more of the total number of voting shares in the corporation; or
- (ii) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.

- (c) is not a family member of any executive director, officer or major shareholder of FNHB or any related corporation of FNHB;

For this purpose, “family member” means his spouse, parent, child including adopted child and stepchild, brother, sister and the spouse of his child, brother or sister; and “officer” means the chief executive, the chief operating officer, the chief financial controller or any other person primarily responsible for the operations or financial management of FNHB or any related corporation of FNHB.

- (d) is not acting as a nominee or representative of any executive director or major shareholder of FNHB or any related corporation of FNHB;
- (e) has not been engaged as an adviser by FNHB or any related corporation of FNHB under such circumstances as prescribed by Bursa Securities. He or she is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation, which provides professional advisory services to FNHB or any related corporation of FNHB under such circumstances as prescribed by Bursa Securities;
- (f) does not have any personal or business relationship, nor is he or she presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company), which has engaged in any transaction (including transactions of assets and services, joint ventures or financial assistance), with FNHB or any related corporation of FNHB or major shareholders or executive directors or management of FNHB under such circumstances as prescribed by Bursa Securities; or
- (g) has not been in receipt directly or indirectly of “significant compensation” in the sum of RM500,000 and above, other than director’s remuneration, nor any compensation related to company performance in the financial year.

- (h) has not served as an independent director in FNHB or any related corporation of FNHB for a cumulative period of more than twelve (12) years from the date of his/ her first appointment as an independent director.

5. DISCLOSURE

The following information is to be disclosed in the Company's annual report:

- (a) the identity of independent and non-independent directors, with any relevant comments relating to independence.
- (b) a biography including other appointments, experience, any material relationships and date of appointment to the Board of each director.
- (c) assessment of independent directors and its outcome.
- (d) Such other information as may be required by any code of corporate governance or regulations from time to time.

6. REVIEW OF THE POLICY

The Nominating Committee shall with the assistance of Management review the adequacy of this policy on a regular basis and may from time to time recommend the proposed changes to the Board as it deems appropriate to reflect new best practices and new legal or regulatory requirements.