

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5222

COMPANY NAME : FGV HOLDINGS BERHAD

FINANCIAL YEAR : December 31, 2019

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 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.

Application	:	Applied
Explanation on application of the practice	:	<p>2018 was a challenging and eventful year for the Group signified by several key developments such as the revamp of Board composition, substantial shake-up in management team, recording major accounting adjustments ("kitchen sinking") as well as volatility in commodity prices.</p> <p>Realizing all the above situation, a refreshed strategic plan was developed namely Business Plan 2019-2021 ("BP21") to supersede and enhance the previous SP20 (V2) in various areas. The renewed targets by 2021 is for FGV Holdings Berhad ("FGV" or "the Company") Group of Companies ("FGV Group" or "the Group") to achieve market capitalization of RM5.5 billion, revenue of RM21.5 billion and Profit Before Tax ("PBT") of RM955 million. Operationally, the Group aims to achieve Fresh Fruit Bunches ("FFB") yield of 20.15 MT/Ha and Oil Extraction Rate ("OER") of 21.50%. This long-term target is guided by 4 strategic thrusts i.e. operational improvement, products & markets penetration, financial & capability building, and new growth area.</p> <p>Subsequently, the annual budget is prepared in line with key initiatives set in BP21 for each business unit and corporate center; by means of all required resources such as human capital, financial and necessary capital expenditures. Both BP21 and 2019 Budget were approved by the Board of Directors ("the Board").</p> <p>To measure the success of its annual and long-term targets, we monitor and track the progress of 59 key initiatives contained in BP21 together with financial and operational performance on a monthly basis and presented to the Board on a quarterly basis. Nevertheless, we took necessary corrective actions in the event of any shortfall.</p>

	<p>The key initiatives are also translated into Key Performance Indicators (“KPIs”) for Top Management to facilitate the Board during the annual performance review thereafter. Similarly, the progress and achievements of the KPIs are presented to the Board on a quarterly basis.</p> <p>The Group’s vision for human resource is to create value through strategic human capital transformation towards high performance culture. The human resource strategy will be three-pronged and will be supported by a culture of growth:</p> <ol style="list-style-type: none"> 1. Right size & right fit; 2. Build organisation capability; and 3. Evaluate & rewards right. <p>Sustainability is anchored in BP21 and represents an integral part of FGV’s corporate culture. This is reflected in the relentless drive towards an all-inclusive approach of value creation for all Stakeholders, whilst actively balancing socioeconomic and environmental demands. In 2019, FGV has successfully audited a substantial amount of its complexes for Roundtable on Sustainable Palm Oil (“RSPO”) and certified for Malaysian Sustainable Palm Oil (“MSPO”).</p> <p>We execute strategic two-way communication dialogues with our Shareholders and Stakeholders on a quarterly basis and during the Annual General Meeting to derive an understanding of their expectations and to communicate FGV’s development. We cautiously take cognisance of the views of our Shareholders and Stakeholders in improving FGV by undertaking various improvement initiatives at both corporate and operational levels.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman's main role is to ensure effective conduct of the Board through the execution of the following:</p> <ol style="list-style-type: none">1. Guide and mediate the Board's actions with respect to organisational priorities and good governance;2. Ensure the Board conducts itself in accordance with the Board Charter;3. Ensure the Board meetings are conducted effectively with all relevant matters tabled in the agenda and that all Directors receive timely information and are properly briefed;4. Ensure the Board is updated on material matters relating to the Group by the Group Chief Executive Officer ("GCEO");5. Be the major point of contact between the Board and the GCEO;6. Undertake appropriate corporate communications activities together with the GCEO;7. Ensure the GCEO look beyond his executive functions and accept his full share of the responsibilities;8. Review progress regularly on important initiatives and significant issues facing the Group together with the GCEO; and9. Initiate and oversee the GCEO's performance evaluation process. <p>The role and responsibilities of Chairman of the Board have been clearly specified in the Board Charter which is available on FGV's website.</p> <p>Effective 23 January 2019, the position of GCEO has used the nomenclature GCEO instead of Group President/Chief Executive Officer.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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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.

Application	:	Applied
Explanation on application of the practice	:	<p>The distinct and separate roles and responsibilities of the Chairman and GCEO have been clearly specified in the Board Charter which is available on FGV's website.</p> <p>The position of Chairman and GCEO are held by two different individuals namely Datuk Wira Azhar Abdul Hamid as Chairman and Dato' Haris Fadzil Hassan as GCEO.</p> <p>The Chairman's main role is to ensure effective conduct of the Board through the execution of the following:</p> <ol style="list-style-type: none">1. Guide and mediate the Board's actions with respect to organisational priorities and good governance;2. Ensure the Board conducts itself in accordance with the Board Charter;3. Ensure the Board meetings are conducted effectively with all relevant matters tabled in the agenda and that all Directors receive timely information and are properly briefed;4. Ensure the Board is updated on material matters relating to the Group by the GCEO;5. Be the major point of contact between the Board and the GCEO;6. Undertake appropriate corporate communications activities together with the GCEO;7. Ensure the GCEO look beyond his executive functions and accept his full share of the responsibilities;8. Review progress regularly on important initiatives and significant issues facing the Group together with the GCEO; and9. Initiate and oversee the GCEO's performance evaluation process. <p>The specific responsibilities of the GCEO are summarised as follows:</p> <ol style="list-style-type: none">1. Communicate the Group's mission, vision and values;2. Represent the interests of the Group with major customers, governments and their agencies, industries at large and other major Stakeholders;3. Develop the strategic direction of the Group and provide direction in the implementation of short term and long term strategies and plans;4. Assess business opportunities of potential benefit to the Group;

	<ol style="list-style-type: none"> 5. Manage the Group's businesses, covering inter-alia, the development and execution of a sustainable Strategic Plan, annual business plan and set key performance indicators for Key Senior Management; 6. Seek the Board's approvals on major investments, divestments, capital expenditures and disposals in alignment with the Group's strategic direction; 7. Seek the Board's approvals on relevant announcements to Bursa Malaysia Securities Berhad and all matters reserved for the Board; 8. Present and update the Board the operational and financial performance of the Group; 9. Oversee, direct and control all aspects of the business operations in a cost effective manner within the authorities delegated by the Board; 10. Oversee the development and implementation of the human resources strategies and key initiatives; 11. Assist members of the Board and Board Committees in discharging their duties; 12. Review and approve Board and Board Committees papers, reports, proposals and updates; and 13. Assist the Chairman in organising information necessary for the Board to consider, deliberate and ensure that such information to the Board and Board Committees are provided on a timely basis. <p>In discharging the above responsibilities, the GCEO may delegate appropriate functions to any Key Senior Management.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors shall have direct access to the Company Secretary. The Board also has full and unrestricted access to anyone in the Group in order to conduct any investigation and obtain any information pertaining to the Group, including access to the Company's Auditors and consultants and may seek relevant internal and external independent professional advice at the expense of the Company. FGV has in place a procedure for Directors to seek independent professional advice.</p> <p>The Company Secretary has the prerequisite qualifications and experience to support the Board. The Company Secretary organises and attends all Board and Board Committee meetings and ensure meetings are properly convened and proper records of the proceedings and resolutions passed are maintained accordingly at the registered office of the Company; and produced for inspection, if required.</p> <p>The Company Secretary is responsible for advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance. The Company Secretary is also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in a transaction involving prohibition on dealing in securities and restrictions on disclosure of price sensitive information.</p> <p>All Directors have unrestricted access to the advice and services of the Company Secretary. The Board through the Board evaluation assessment questionnaire evaluated the support and services of the Company Secretary for the financial year under review. The appointment and removal of any of the Company Secretary is a matter for the Board, as a whole.</p> <p>During the financial year, the Company Secretary has attended relevant conferences and training programmes in order to constantly keep herself abreast of the evolving capital market environment, regulatory changes and developments in corporate governance.</p>

	<p>Some of the training programmes attended by the Company Secretary during the year were:</p> <ol style="list-style-type: none"> 1. Understanding Corporate Liability – In-House Training Programme <ul style="list-style-type: none"> - Section 17A Malaysian Anti-Corruption Commission Act 2009 : Offence by Commercial Organisation, Malaysian Anti-Corruption Commission (MACC) - Conformity assessment on ISO 37001:2016 Anti-Bribery Management System - Effective tool to combat corruption by SIRIM QAS International Sdn. Bhd. - Development in Corporate Governance by KPMG Management & Risk Consulting Sdn. Bhd. 2. Technical Briefing for Company Secretaries of Listed Issuers <p>The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in discharging its functions.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board requires all its members to devote sufficient time to the workings of the Board, to effectively discharge their duties as Directors, and to use their best endeavours to attend meetings.</p> <p>The annual meeting calendar is prepared and circulated in advance of each new year. The calendar provides Directors with scheduled dates for meetings of the Board and Board Committees and the Annual General Meeting. The calendar is available on iPads provided to all Directors.</p> <p>In order for the Board meetings to be more effective and to ensure in-depth deliberations of matters are achieved, the meeting agendas are sequenced taking into account the complexity of the matters to be tabled for approval, discussion or notation by the Board. The meeting agendas are set by the Chairman or Board Committee Chairman respectively, in reference to the responsibilities and duties of the respective Board and Board Committees and in consultation with the GCEO and the Company Secretary.</p> <p>The agendas and meeting papers are distributed in advance at least five (5) business days prior to the meetings for all Board and Board Committee meetings to allow the Directors to understand the papers so that they can contribute effectively at the meetings and giving sufficient preparation time and information to make an informed decision at each Board and Board Committees meeting.</p> <p>The Board has a regular annual schedule of matters which are tabled to the Board for their approval and/or notation which includes business strategies, business operations and financial performance updates, unaudited quarterly results, Annual Financial Statements, Annual Integrated Report, risks profile, material litigations and matters related to investor relations.</p> <p>FGV has implemented a digital board meeting papers, which enables digital access to meeting materials instead of requiring distribution of hard copies. The customised solution provides various functionalities which enable Directors and Board Committee members to access various company documents, including Board policies, procedures, rules and guidelines, which are uploaded onto iPads for convenient reference. As a result,</p>

	<p>Directors and Board Committee members are able to access meeting materials and relevant information in a timely and efficient manner, thus improving Board performance and overall effectiveness of decision-making.</p> <p>The Notice of Board meetings are sent to the Directors via e-mail at least seven (7) working days prior to a meeting. The same notification is sent to the Management, which includes the deadlines for submission of meeting materials for the Management's easy reference. Upon receipt from the Management, the Company Secretary ensure that the meeting materials are uploaded on iPads as soon as practicable.</p> <p>Whenever necessary, relevant Members of the Group Management Committee ("GMC") or external advisors are also invited to attend Board meetings and Board Committee meetings to provide further clarity on matters discussed to enable the Board and Board Committees to arrive at a considered and informed decision.</p> <p>Presentations to the Board are prepared and delivered in a manner that ensures a clear and adequate presentation of the subject matter. All issues raised, deliberations, decisions and conclusions including dissenting views made at Board meetings along with clear actions to be taken by responsible parties are recorded in the minutes.</p> <p>Where the Board is considering a matter in which a Director has interest, the relevant Director immediately discloses their interest and abstains from participating in the discussions or decision making on the subject matter.</p> <p>The Board is constantly advised and updated on statutory and regulatory requirements pertaining to their duties and responsibilities. As and when the need arises, Directors are also provided with relevant information and training to prepare them to appraise key business, operational, corporate, legal and regulatory as well as industry matters.</p> <p>The discussions, conclusions, deliberations and decisions of the Board meetings and Board Committee meetings are well documented in the minutes, including matters where Directors abstained from voting or deliberation.</p>
Explanation for departure	<div></div> <div></div>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	

Timeframe	:		
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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.

Application	: Applied
Explanation on application of the practice	<p>The Board has collective responsibilities for promoting the long-term sustainability and success of the Group by providing entrepreneurial leadership within a framework of prudent and effective controls. In doing so, the Board commits to high standards of integrity and ethics. Specific matters reserved for the Board's consideration and decision include :</p> <ol style="list-style-type: none"> 1. Matters on the appointments and structures of the Board, Board Committees, Subsidiaries' Boards, the GCEO and Key Senior Management. 2. Matters on the remunerations of the Board, Board Committees, Subsidiaries' Boards, the GCEO or GCEO and Key Senior Management. 3. Matters on the Strategic Plans, investments, divestments, delegation of authorities and any major changes in the strategic directions of the Group. 4. Matters on the annual budgets, Financial Statements, Quarterly Results, dividends, matters related to managing risks and controls and financial decisions. <p>The Board formally adopts a Board Charter, which provides guidance to the Board in the fulfilment of its roles, duties and responsibilities. The Board Charter outlines the roles and responsibilities of the Board, the balance and composition of the Board, the Board's authorities, schedule of matters reserved for the Board, the establishment of the Board Committees, processes and procedures for convening Board meetings, the Board's assessment and review of its performance, compliance with ethical standards, Board's access to information and advice and declarations of conflict of interest. The Board Charter was last reviewed on 27 November 2019 and is made available in the Company's corporate website at www.fgvholdings.com.</p>

	<p>The role of the Chairman, the Board of Directors and the GCEO are clearly delineated in Paragraph 6 of the Board Charter which is available on FGV's website.</p> <p>In enhancing active participation of Directors during Board deliberations, the Directors had attended various external programmes in accordance with Paragraph 15.08(3)(b) during the year 2019. The list of training programmes attended by the Board in 2019 are disclosed in the Corporate Governance Overview Statement available in the Annual Integrated Report 2019.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application :	Applied
Explanation on application of the practice :	<p>In discharging its responsibilities, the Board is guided by the Directors' Code of Ethics and Conduct ("CoEC") and Code of Business Practice ("CoBP"). The copy of the CoEC and CoBP are made available on FGV's website.</p> <p>FGV also has in place a Code of Business Conduct and Ethics for employees ("CoBCE") which was revised and approved by the Board on 27 November 2019. The CoBCE was established to address but not limited to the managing of conflict of interest, prevention of abuse of power, corruption, insider trading and money laundering.</p> <p>In addition, FGV has also implemented Supplier Code of Conduct ("SCoC") on 17 April 2019. The SCoC describes the vendor's expected standards of behavior when conducting work for the FGV Group. The SCoC outlines the following key areas:</p> <ol style="list-style-type: none">1. Business Ethics & Integrity2. Safety, Health & Environment3. Labour & Human Rights <p>This is a requirement for vendors to sign acknowledgement to declare their compliance to the SCoC and the relevant laws and regulations relating to bribery and corruption.</p> <p>In terms of governance structure and support, Integrity Management and Compliance Department ("IMC") was established in 2012 as an independent function to implement the CoBCE, in supporting policies and ethics programme across the Group. Throughout the journey, continuous improvement to the structure of ethics and integrity was carried out from time to time, to strengthen the integrity and governance agenda in FGV. The department has evolved, merged and renamed to Group Governance & Risk Management ("GGRM") in May 2019, in regulating the governance, risk & integrity for FGV Group. The function is also in line with the directive by Prime Minister for</p>

	<p>all Government-Linked Companies ("GLC") to set-up Integrity and Governance Unit ("IGU").</p> <p>Members of the Board are required to make a declaration in the event that they have interests in proposals being considered by the Board, including where such interests arise through close family members, in line with various statutory requirements on the disclosure of Director's interest.</p> <p>Any interested Directors shall abstain from deliberations and decisions of the Board on the subject proposal and, where appropriate, excuse themselves from being physically present during such deliberations. Further information on conflict of interest is codified in the Directors' CoEC and CoBP.</p> <p>In line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the relevant provisions of the Capital Markets & Services Act 2007, Directors, GMC Members and principal officers of the Group are prohibited from trading in securities or any kind of property based on price sensitive information and knowledge, which have not been publicly announced. Notices on the closed period for trading in FGV's shares are circulated to Directors, GMC Members and principal officers who are deemed to have privy to price sensitive information and knowledge, in advance of whenever the closed period is applicable. Further information on prohibitions relating to insider trading is codified in the Directors' CoEC and CoBP.</p> <p>For prevention of conflict of interest, abuse of power, corruption, insider trading and money laundering, the Board have endorsed the following policies and procedures :</p> <ol style="list-style-type: none"> 1. CoBCE <p>The CoBCE guides our employees to embrace the Group's values and comply with applicable laws and regulations, through honest, transparent and ethical business practices. The CoBCE covers areas such as compliance, integrity, conduct in the work place, business conducts, protection of the Group's assets, confidentiality and conflict of interest.</p> 2. External Gift, Entertainment & Hospitality Policy ("GEH Policy") <p>The GEH Policy is modelled based on good practices to govern the giving and receiving of gifts, entertainment and hospitality to or from third parties with emphasis on integrity, ethical standards and adherence to the law. The Group endeavours to maintain a high standard of integrity, transparency and accountability in all aspects of its business through efficient, productive and disciplined behaviour.</p>
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	<p>3. Asset/Personal Interest Declaration Policy ("APID Policy")</p> <p>The APID Policy is intended to reflect the Directors and employees' transparency towards the Group. It is also to ensure that the assets and personal interests are acquired through reasonable legal means within their financial ability and free from conflict of interest situation.</p> <p>4. Conflict of Interest Policy</p> <p>All employees and third parties of FGV Group shall act, at all times, in the best interest of the FGV Group and not based upon their personal interest. Employees must not put themselves in a position where they are involved in an activity for personal gain, to themselves, their "relative", "associate" or third parties which conflicts with FGV Group's interest. It is an integrated part of the FGV Group's culture to prevent conflict of interest and, where there cannot be prevented, to manage them appropriately through 3D approach i.e. Disclose, Declare and Discharge.</p> <p>The above policies are made available in the Centralized Management System (internal hub) for easy access by employees and have been communicated to all employees in the Group via email. In ensuring the above policies and procedures are being implemented and complied to, FGV periodically organize awareness programmes through roadshows and forum events.</p> <p>Since the signing of the Malaysian Corporate Integrity Pledge on 9 April 2012, FGV remains committed to uphold the integrity principles and strive towards creating a business environment that is free from corruption in the conduct of its business and in its interactions with its business partners and the authorities. In the journey towards achieving good governance, FGV is committed to a culture of integrity. This is to ensure that FGV Group conducts its businesses globally in compliance with laws and ethical values.</p> <p>Through the execution of the Directors' CoEC and CoBP, the CoBCE, GEH Policy, APID Policy, Conflict of Interest Policy, the Corporate Integrity Pledge, the Integrity Pact and FGV Corporate Governance and Business Integrity Blueprint, FGV Group is committed to :</p> <ol style="list-style-type: none"> 1. Take pride in contributing towards FGV's success; 2. Uphold FGV's core values P.R.I.D.E.; 3. Deliver products and services to customers as pledged; 4. Perform to the best ability at global standards, whilst continuously improving the quality of FGV Group's products and services; 5. Adhere to all sets of laws, policies, procedures, rules, regulations and guidelines; and 6. Adopt an open and honest attitude in all aspects.
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Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>FGV Whistleblowing Policy and Procedures ("Whistleblowing Policy") was established in 2012 to enable employees, including the public to report without fear of retaliation, any wrongdoings that they may observe or experience. The Company continuously reviewed the Whistleblowing Policy, and the latest version was approved by the Board on 28 May 2018.</p> <p>The main objectives of the Whistleblowing Policy are:</p> <ol style="list-style-type: none">1. To provide avenues for employees to disclose any improper conduct;2. To assure the employees that they will be protected from reprisals, discrimination or victimisation for whistleblowing in good faith;3. To provide a formal mechanism for action on all reports made; and4. To take necessary action of any improper conduct reported by other sources. <p>Improper conduct may include:</p> <ol style="list-style-type: none">1. Malpractice, impropriety, fraud and embezzlements;2. Misappropriation of assets and funds;3. Criminal breach of trust;4. Illicit and corrupt practices;5. Questionable or improper accounting;6. Misuse of confidential information;7. Acts or omissions, which are deemed to be against the interest of the Group, laws, regulations or public policies;8. Breaches of any FGV Group policies or the COBCE;9. Attempts to deliberately conceal any of the above or other acts of wrongdoing; and10. Abetting any of the above.

Reports of wrongdoing can be channelled via the following:

1. In writing

a. Posting through e-Alert form in FGV's corporate website.

b. Through written letter to:

The Secretariat, Whistleblowing Committee
Group Governance & Risk Management
Level 13 West, Wisma FGV
Jalan Raja Laut 50350 Kuala Lumpur

c. E-mail to alert@fgvholdings.com

2. Telephone call

Telephone call can be made to the Whistleblowing Hotline at the following numbers:

<u>Country</u>	<u>Phone Number</u>
Malaysia	1-800-888-717
Indonesia	001-803-601-940
Thailand	1-800-060-162
USA	1-855-503-0531
China (North)	10-800-600-0146
China (South)	10-800-260-0730
Pakistan	00-800-900-600-09

3. In person by meeting the Secretariat of Whistleblowing Committee or any FGV Board members.

The Whistleblowing Committee consists of six (6) permanent members:

- a) Head, GGRM (Chairman);
- b) Chief Human Resources Officer;
- c) Group Chief Financial Officer;
- d) General Counsel;
- e) Chief Internal Auditor; and
- f) Head of Whistleblowing & Detection.

As mandated by the Board, the Whistleblowing Committee is responsible to:

- a) Manage and decide on complaints reported through secured and accessible whistleblowing channels;
- b) Ensure transparent investigation; and
- c) Submit Whistleblowing Report to the Board Governance & Risk Management Committee.

	<p>In 2019, six (6) Whistleblowing Committee meetings were conducted to deliberate on 71 cases received through whistleblowing channels.</p> <p>The Whistleblowing Committee shall handle and deliberate the disclosures of improper conduct against Senior General Manager positions and below; whereas the Head of Whistleblowing & Detection shall refer and discuss with the Senior Independent Director on disclosures of improper conduct received against Vice President positions and above, Sector Heads, Members of the Board and Government Appointed Directors to determine the next course of action.</p> <p>Verification on whistleblowing cases shall be done by GGRM on matters relating to fraud, bribery and abuse of power. The Group Human Capital shall investigate on any misconduct related matters.</p> <p>A whistleblower will be accorded with the following protection under the Whistleblowing Policy:</p> <ul style="list-style-type: none"> a) Identity of the whistleblower and confidential information; and b) Detrimental action as consequences of the disclosure.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

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 independent directors.

Application	:	Applied
Explanation on application of the practice	:	<p>Governance of the Group and the responsibility for driving good corporate citizenship is vested in a unitary Board, which is supported by several Board Committees and the Company Secretary. The Board, through its Board Committees, provides strategic direction, while the GCEO, assisted by the GMC is accountable to the Board for implementing the Strategic Plans approved by the Board.</p> <p>Under the Company's Constitution, the number of Directors shall not be less than two (2) and not more than twelve (12). The composition of the Board fairly reflects the interest of the significant Shareholders, without compromising the interest of the minority Shareholders. The Board composition is also in compliance with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>As at 20 March 2020, there are nine (9) members on the Board, comprising:</p> <ul style="list-style-type: none">• five (5) Independent Non-Executive Directors, and• four (4) Non-Independent Non-Executive Directors. <p>All the five (5) Independent Non-Executive Directors satisfied the independence test under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They constituted 56% of the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

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

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.

Application	:	Adopted								
Explanation on adoption of the practice	:	<p>Todate, FGV has five (5) Independent Non-Executive Directors and none of them has served beyond nine (9) years.</p> <p>Their length of service as at 20 March 2020 are as follows:</p> <table><tr><td>Years of service</td><td>Less than 1 year</td><td>1-2 years</td><td>2-3 years</td></tr><tr><td>Number of Directors</td><td>1</td><td>4</td><td>4</td></tr></table> <p>Details on the Board's tenure can be found in the Corporate Governance Overview Statement in FGV's Annual Integrated Report 2019.</p> <p>Under Clause 106 of FGV's new Constitution, the term of Independent Director shall not exceed three (3) years. Upon completion of three years tenure, such Independent Director shall cease to be a Director, but may still be eligible for re-appointment.</p> <p>FGV also has in place a Board Nomination and Election Policy and Procedures which limits the tenure of its independent directors to nine (9) years. This policy is further stated in Paragraph 6.4.5 (d) of the Board Charter.</p> <p>The Independent Non-Executive Directors on the Board act as caretakers of the minority Shareholders, and their views carry significant weight in the Board's decision-making process. The presence of Independent Non-Executive Directors fulfils a pivotal role in corporate accountability. Although all the Directors have equal responsibility at the Board level, the roles of these Independent Non-Executive Directors are particularly important as they provide unbiased and independent views, advice, as well as judgement to take account of the interests, not only of the Group, but also that of minority Shareholders, employees, customers, suppliers and the many communities within which the Group conducts its business. The Board places great importance on the balance of its Independent Non-Executive Directors since they serve as an essential source of impartial and professional guidance to protect the interest of the Shareholders.</p>	Years of service	Less than 1 year	1-2 years	2-3 years	Number of Directors	1	4	4
Years of service	Less than 1 year	1-2 years	2-3 years							
Number of Directors	1	4	4							

	<p>The Board has undertaken an assessment of the Independent Non-Executive Directors, and has concluded that each of them continues to demonstrate behaviour that reflects their independence, which is in accordance with the definition of Independent Directors under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The independence of Non-Executive Directors is reviewed on an annual basis as part of the Directors' evaluation process. The Board is satisfied that all its Independent Non-Executive Directors represent the interest of the minority Shareholders by virtue of their roles and responsibilities.</p> <p>The Board has identified Dato' Yusli Mohamed Yusoff to assume the role of the Senior Independent Non-Executive Director to whom concerns of shareholders and stakeholders may be conveyed. The role of the Senior Independent Non-Executive Director is available in Paragraph 6 of the Board Charter which is available on FGV's website. Shareholders and other interested parties may contact Dato' Yusli Mohamed Yusoff to address any concerns at the following email address:</p> <p>Email : sid@fgvholdings.com</p>
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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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the benefits of having a diverse Board to ensure that the mix and profiles of the Board members in terms of age, ethnicity and gender, provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management.</p> <p>The Nomination and Remuneration Committee assesses the suitability of Board candidates, taking into account the following selection criteria before recommending their appointment to the Board for approval:</p> <ol style="list-style-type: none">1. Relevant skills, knowledge, expertise and experience;2. Existing directorships and current professional responsibility;3. Character, professionalism and integrity; and4. Number of directorships (not exceeding five (5) directorships in listed companies) and other external obligations which may affect the candidates' commitment, including time commitment. <p>The Board has made improvements in its practices on nomination and election of Directors as detailed in the FGV Board Nomination and Election Policy and Procedures.</p> <p>Upon identification of candidate, the Nomination and Remuneration Committee shall conduct an assessment and evaluation of the proposed candidate. The assessment/evaluation process may include, at the Nomination and Remuneration Committee's discretion, reviewing the candidate's resume, curriculum vitae and relevant information, confirming the candidate's qualifications, conducting legal and other background searches as well as a formal or informal interview.</p> <p>The Nomination and Remuneration Committee shall also assess the proposed candidate based on the criteria as set out in FGV Board Nomination and Election Policy and Procedures or any other criteria which the Nomination and Remuneration Committee deems appropriate.</p>

	<p>As recommended by the Malaysian Anti-Corruption Commission ("MACC"), FGV has amended its Board Nomination and Election Policy and Procedures to include one of the considerations in determining the appropriate candidates for nomination and election to FGV Board is that the candidate is not an Active Political Person i.e. not a Member of Parliament, State Assemblyman, Supreme Council Member of a political party or member who holds a position at divisional level in a political party.</p> <p>For an Independent Director position, additional assessment on independence based on criteria set out in FGV Board Nomination and Election Policy and Procedures shall be carried out.</p> <p>After the candidates have been shortlisted by the Nomination and Remuneration Committee, the Company Secretary shall conduct a criminal offences/ infractions check and bankruptcy check on the shortlisted candidates before the proposal for appointment is tabled to the Board.</p> <p>The Board remains focused on enhancing the diversity of Directors' perspectives. Directors are chosen for their corporate leadership skills, experience and expertise. Diversity of experience in business as well as academic backgrounds are also considered. The right blend of skills and experience is crucial in ensuring the attainment of long-term value for FGV's shareholders.</p> <p>In accordance with FGV's Constitution, at each Annual General Meeting (AGM), one-third (1/3) of the Directors shall be subjected to retirement by rotation, but they shall be eligible for re-election. The Directors to retire in every year shall be those who have served longest in office since their last election or appointment date, and each Director shall retire at least once in every three (3) years. Newly appointed Directors during the year must offer themselves for re-election at the first AGM following their appointment.</p> <p>The Nomination and Remuneration Committee reviews and recommends to the Board the rotation and re-election of Directors at the AGM. Where a Director is due to retire from office, the Nomination and Remuneration Committee reviews the composition of the Board and decides whether to recommend the retiring Director for re-election taking into consideration the Director's contributions, attendance and time commitment</p> <p>The appointment of Top Management is based on the organisation structure, business strategies, succession planning and internal resources.</p> <p>The selection and appointment process of Top Management are done through rigorous and robust exercises. Assessment will be conducted on the candidates' suitability as the organisation Top Management before recommending their appointments to the Nomination and Remuneration Committee and Board of Director for approval.</p>
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	FGV has always acknowledge the contribution of female employees in the organisation and have increased the gender diversity within Top Management. Currently, women are represented in five (5) key positions out of fifteen (15) positions or 33% of the Top Management.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation for departure	:	<p>FGV has in place a Board Nomination and Election Policy and Procedures to enhance, clarify and formalise its policies on Board Composition, Independence, Conflict of Interest and Board Assessment. The Policy on Board Composition provides the size of the Board, the selection criteria, the Directors' skills sets and Board diversity to be considered for new appointments of Directors. The Policy on Board Composition also provides that FGV shall adopt and pursue Board diversity in considering the composition of the Board and shall adopt a meritocracy system which does not discriminate, particularly on the grounds of gender and ethnicity.</p> <p>As at 20 March 2020, FGV Board comprised of six (6) male Directors and three (3) female Directors (33% female representation). The Board will continue its support for adequate female representation in the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>FGV sought independent sources to identify suitably qualified candidates, and had also considered candidates proposed by third party referrals.</p> <p>FGV Board Nomination and Election Policy and Procedures provides that the sourcing of the candidates to the Board may be undertaken internally via recommendations by the Chairman of the Nomination and Remuneration Committee, and within the bounds of practicality, by the Directors or Major Shareholders of FGV or undertaken externally through the recommendations of independent third party service providers appointed by the Board.</p> <p>The Nomination and Remuneration Committee shall also refer to FGV Board Succession Planning Framework which lists down the preferred skills, knowledge, expertise and experience required to be appointed as FGV Board member.</p> <p>The Nomination and Remuneration Committee shall then make a full assessment of the candidates, in accordance with Clauses 6.1.2, 6.1.3 and 6.1.4 of the Board Nomination and Election Policy and Procedures, to evaluate whether they have the necessary and desirable core competencies to discharge their responsibilities effectively before they are recommended to the Board.</p> <p>For appointment of Independent Directors, the Nomination and Remuneration Committee shall include the additional criteria of independence in the assessment, as per Clause 6.2.2 of the Board Nomination and Election Policy and Procedures.</p> <p>With reference to Paragraph 15.08A(3)(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the pool has been continuously refreshed with new potential candidates in 2019, having regard to the selection criteria, to ensure that the list of potential candidates remains relevant and offers the talent/skills required for the Nomination and Remuneration Committee and Board's consideration.</p>

	<p>The proposed candidate will also be required to confirm that he/she meets the criteria for an independent director as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and its Practice Note 13 prior to recommending to the Board for approval of his/her proposed appointment as an Independent Non-Executive Director.</p> <p>Meanwhile, in order to ensure that Directors have sufficient time to fulfil their roles and responsibilities effectively, the criterion as agreed by the Board for determining candidates for the pool of potential Directors is that they must not hold directorships of more than five (5) public listed companies (as prescribed in Paragraph 15.06 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad).</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Nomination and Remuneration Committee is an Independent Non-Executive Director and he also assumes the role of the Senior Independent Director.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

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.

Application :	Applied
Explanation on application of the practice :	<p>A formal evaluation was conducted to assess the Board's effectiveness as well as to recommend areas and remedial actions for improvement (Board Performance Evaluation). The Board Performance Evaluation was conducted for the Board as a whole, its Committees and contributions from each individual Director.</p> <p>The Board appointed an independent, professional and experienced external consultant to facilitate the Board Performance Evaluation process for the FYE 2018. The external consultant performed a gap analysis to ascertain the level of conformance with the prescribed standards and requirements namely the Companies Act, 2016, the Malaysian Code on Corporate Governance 2017 and the Corporate Governance Guide – Moving from Aspiration to Actualisation, 3rd Edition (CG Guide) in order to determine areas which require further improvement as compared to best practices.</p> <p>The assessment of the Board effectiveness covers a broad spectrum of governance attributes encompassing ten (10) core drivers including Board Roles and Responsibilities, Board Leadership, Board Dynamics, Board/Management Relationship, Board Composition/Diversity, Board Information, Board Processes, Board Committees, Board Agenda and Meetings and Board/Stakeholders Engagement.</p> <p>This externally facilitated Board Performance Evaluation is a comprehensive and robust process involving a combination of online survey of Board members and selected senior management staff who interacts regularly with the Board or Board members, documents review and one-to-one (no-holds barred) interviews with all the Board members and selected senior management staff to assess the overall performance of the Board, the Board committees as well as the performance of each Board member.</p> <p>The results of the survey and interviews are reviewed and distilled to draw a balanced perspective of the overall effectiveness of the Board, the Board Committees and identified a few areas requiring attention and improvements. A report card on the performance and</p>

	<p>areas for development of each individual Director is also prepared for discussion with each individual Director and subsequently presented to the Chair of the Nomination and Remuneration Committee. A detailed report of the Board Performance Evaluation was discussed with the Chair of the Nomination and Remuneration Committee and subsequently a presentation was made to the Board.</p> <p>The Chairman of the Nomination and Remuneration Committee presented the Board Performance Evaluation results in the ensuing meeting for deliberation. For the FYE 2018 Board Performance Evaluation, no major concerns were raised.</p> <p>Based on the outcome of the Board Performance Evaluation, the Board agreed on a number of actions that will be monitored throughout the year 2020 (Board Improvement Plans) as part of a continual improvement process in the Boardroom. These centred on the continual evolution of the composition of the Board and the Board Committees to complement the strength of the existing Directors and the refinement of the agenda planning process to ensure focus on key issues and opportunities.</p> <p>It is the Board's goal to ensure that it is doing the right things, in the right way and, in doing so, is setting the right tone for the adoption of good governance for FGV and the Group.</p> <p>The Board has also established a Board Succession Planning Framework to align the Board's competency matrix skill components to FGV strategic plan to move towards a future-ready and high performing Board.</p> <p>The proposed Succession Planning Framework for FGV Board was developed after taking into account the following items :</p> <ul style="list-style-type: none"> a) the composition and size of FGV Board and FGV Board Committees; b) the minimum non-exhaustive criteria for Directors as set out in the Companies Act, 2016 and in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad; c) the minimum qualities required as FGV Board member or FGV Board Committee member; d) the preferred skill sets required to be appointed as FGV Board member or FGV Board Committee member ("skill sets"); e) the preferred skills, knowledge, expertise and experience to be appointed as Chairman of FGV Board; and f) the considerations in determining the appropriate candidates as FGV Board member or FGV Board Committee member.
Explanation for departure	:

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The remuneration programs for all of the employees inclusive of the Senior Management are guided by the Group's Compensation Policy which is established for three purposes:</p> <ul style="list-style-type: none">a) To attract and retain the most qualified talent into FGV Group by offering competitive remuneration packages;b) To fairly compensate all employees of FGV Group according to job functions; andc) To ensure fair and equitable distributions of compensation packages internally and externally based on performances and deliverables. <p>The Group's Compensation Policy takes into account market competitiveness, the demands, complexities and performance of FGV Group as well as the individual employee's skills and experiences.</p> <p>The Group's Compensation Policy was last revised on 1 January 2020. The Group's Compensation Policy is not made available on FGV's website.</p> <p>FGV also has in place a Board Remunerations Policy to determine the remuneration of Directors. The detailed remuneration received by FGV Board members are disclosed in the Corporate Governance Overview Statement in FGV's Annual Integrated Report 2019.</p> <p>Summary of Non-Executive Directors' Remuneration Policy and Senior Management's Remuneration Policy are disclosed in the Corporate Governance Overview Statement in FGV's Annual Integrated Report 2019 and are published in FGV's website.</p>
Explanation for departure	:	

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>FGV has established a Nomination and Remuneration Committee which comprise exclusively of Non-Executive Directors and all of its members are Independent Directors and chaired by an Independent Non-Executive Director.</p> <p>The full details of the Nomination and Remuneration Committee's Terms of Reference are published in FGV's website at www.fgvholdings.com.</p> <p>The summary of work of the Nomination and Remuneration Committee are disclosed in the Nomination and Remuneration Committee Report in FGV's Annual Integrated Report 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	FGV has been disclosing in detail on named basis the remuneration of FGV individual directors which includes fees, salary, bonus, benefits in-kind and other benefits. This information is disclosed in the Corporate Governance Overview Statement in FGV’s Annual Integrated Report 2019.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	The remuneration for top five (5) senior management on a named basis which includes salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 per annum is disclosed in FGV’s Annual Integrated Report 2019.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of FGV's Audit Committee is not the Chairman of the Board of Directors of FGV.</p> <p>The Audit Committee is chaired by Datuk Mohd Anwar Yahya an Independent Non-Executive Director. He is a Member of several professional bodies, such as Member of the Institute of Chartered Accountants in England and Wales ("ICAEW"), a Chartered Accountant with the Malaysian Institute of Accountants ("MIA") and a Member of the Malaysian Institute of Certified Public Accountants ("MICPA"). He is not the Chairman of the Board.</p> <p>The Audit Committee's Terms of References also states that the Chairman of the Audit Committee is not the Chairman of the Board.</p>
Explanation for departure	:	
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee's Terms of Reference states that a former key audit partner must observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>FGV has in place an External Auditor Policy which covers the appointment and re-appointment of external auditors, assessing their performance and independence, audit partner rotation, audit delivery and reporting, engagement of external auditor for non-audit services and removal of external auditor.</p> <p>The External Auditor Policy states that the Group shall only engage external auditor from top four (4) firms of professional accountants for the Financial Statement statutory audit of the Group and as far as practicable, shall retain the engagement of one external audit firm for the Group covering all listed and unlisted subsidiaries within Malaysia and outside Malaysia. Any new appointment or replacement of external auditors shall be through a formal tendering process. FGV currently engages Messrs. PwC as its external auditor for the Group.</p> <p>A suitability and independence assessment has been undertaken through a checklist of factors considered prior to proposing the re-appointment of the external auditor for the FYE 31 December 2019 at the general meeting in June, 2019. The factors considered were calibre of the firm, its quality process/performance, the audit team, its independence and objectivity, audit scope and planning, audit fees and audit communications. From the assessment, the Audit Committee concluded that PwC remains suitable and independent for re-appointment as the external auditor.</p> <p>The External Auditor Policy requires that the External Auditor's performance and independence be assessed using an assessment checklist covering the following, upon completion of every annual audit.</p> <ul style="list-style-type: none">• Calibre of external audit firm;• Quality of process/performance;• Audit team;• Independence and objectivity;• Audit scope, planning and methodology;• Audit fees;• Audit deliverables; and• Audit communication.

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

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.

Application	:	Not Adopted
Explanation on adoption of the practice		

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.

Application	:	Applied
Explanation on application of the practice	:	Datuk Mohd Anwar Yahya is a Member of the Institute of Chartered Accountants in England and Wales ("ICAEW"), a Chartered Accountant with the Malaysian Institute of Accountants ("MIA") and a Member of the Malaysian Institute of Certified Public Accountants ("MICPA"). All members of the Audit Committee are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities. The Audit Committee, therefore, meets the requirements of paragraph 15.09(1)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which stipulates that at least one (1) member of the Audit Committee must be a qualified accountant. The details of the Audit Committee members' trainings attended in 2019 can be found in the Corporate Governance Overview Statement in FGV's Annual Integrated Report 2019.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges its overall responsibility in overseeing the Group's risk management framework and internal control systems and is cognisant that the framework and control systems are designed to manage and reduce, rather than eliminate, the risks identified to an acceptable level of risk appetite. Therefore, the system provides reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.</p> <p>At Management level, FGV Board is supported by GGRM, in overseeing the risk management process and leading the organisation's strategic risk, which undertakes the following responsibilities:</p> <ul style="list-style-type: none">• Reviewing, assessing, enhancing and monitoring the Group's Risk Management Framework including risk management policies and procedures;• Maintaining the Risk Registers of the Group;• Providing guidance to all Group's operations in identifying and assessing risks, developing relevant and effective mitigation strategies to manage the risks;• Preparing risk reports to BGRMC and Board;• Undertaking analysis on specific risks and where necessary, reporting the same to BGRMC and the Board; and• Overseeing the Group's Business Continuity Management. <p>GGRM liaises with the Risk Owners, who are customarily the heads of Business Clusters and Corporate Centres. The Risk Owners are supported by their respective Cluster Risk Champions. They are tasked with ensuring the implementation of the action plans to effectively mitigate the risks identified. Descriptions of the risks and their mitigation and action plans are inputted and tracked in the company's risk register via the Enterprise Risk Management System ("ERMS"), which is updated every quarter.</p>

	<p>The Board has also established the Board Governance & Risk Management Committee to effectively oversee FGV's risk management framework and policies. Matters related to risks and mitigation plans are escalated and tabled to the Board Governance & Risk Management Committee and subsequently to the Board.</p> <p>The matrix for oversight, assurance, risk management and internal control is clearly set up in FGV. The risk management oversight approach is premised on the four lines of defence model, coordinating various players involved and their activities to effectively monitor the enforcement of risk culture.</p> <p>FGV also have in place an integrated framework of internal controls which applies to all subsidiaries within the Group except for joint venture companies and associates not managed by FGV. However, we ensure that our interests and investments are safeguarded by having Board representation(s) and/or nominated appointee(s) in the respective joint ventures and/or associates.</p> <p>The key elements of our internal control structure are as follows:</p> <ul style="list-style-type: none"> • Policies & Procedures; • Ethics & Integrity; • Information & Monitoring; • Authority & Responsibility; and • Competency.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>FGV's risk management and internal control framework is disclosed in the Statement on Risk Management and Internal Control ("SORMIC") in FGV's Annual Integrated Report 2019.</p> <p>The SORMIC together with the Corporate Governance Overview Statement ("CGOS") and the Corporate Governance Report have been approved by the Board.</p> <p>FGV's Annual Integrated Report 2019 and Corporate Governance Report can be viewed at FGV's website at www.fgvholdings.com.</p> <p>The top ten (10) Group and cluster risks and mitigation measures are reported quarterly to the Board Governance & Risk Management Committee and the Board. The quarterly risk report also covers high level strategic risks, project and emerging risks which forms an effective tool in monitoring risk management and framework within the Group.</p> <p>FGV manages risks by incorporating mitigation measures into corporate and operation plans. FGV risk management processes are supported by policies and procedures which are consistent with the ISO 31000 Risk Management Guidelines, developed to aid relevant personnel in undertaking their risk management responsibilities.</p> <p>Descriptions of the risks and their mitigation and action plans are inputted and tracked in the company's risk register via the ERMS, which is updated every quarter.</p> <p>FGV also has in place an integrated framework of internal controls which applies to all subsidiaries within the Group except for joint venture companies and associates not managed by FGV. FGV ensure that its interests and investments are safeguarded by having Board representation(s) and/or nominated appointee(s) in the respective joint ventures and/or associates.</p>

	<p>The key elements of our internal control structure are as follows:</p> <ul style="list-style-type: none"> • Policies & Procedures; • Ethics & Integrity; • Information & Monitoring; • Authority & Responsibility; and • Competency. <p>Review of the Risk Management and Internal Control framework is done regularly, to ensure continued effectiveness of the framework. The last revision of the Risk Management Policy was performed and approved by the Board on 28 August 2018.</p> <p>These include:</p> <ul style="list-style-type: none"> • Facilitating the risk assessment process for investment projects and strategic business planning initiatives. • Providing timely, accurate and comprehensive risk management reports covering key business and emerging risks. • Driving the Business Units in establishing risk registers and developed effective risk mitigation strategies. • Assisting the Companies within the Group to develop Business Continuity Planning to ensure operations will have minimal downtime. • Conducting training awareness on ERMS and Business Continuity Management ("BCM"). • Periodic independent Group Internal Audit reviews for objective assurance on the efficacy of the risk management framework and internal controls. 	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>FGV has established the Board Governance & Risk Management Committee which comprise exclusively of Non-Executive Directors and majority of its members are Independent Directors.</p> <p>One of the Board Governance & Risk Management Committee's responsibilities in relation to risk management is to direct and oversee the formulation of the Group's overall enterprise risk management framework and strategies, including policies, procedures, systems, capability and parameters to identify, assess and manage risks to ensure their relevance and appropriateness to the Group's position and business, to advise and report to the Board, the overall risk appetite, tolerance and strategy on managing business risks, to report to the Board, key business risks and seeks its approval on the management of key business risks that are aligned to the Group's risk appetite, to monitor the effectiveness and progress of management of key business risks and accordingly report to the Board the status of the key business risks, and to recommend to the Board, the approval of and/or amendments to the Group risk management framework and strategies, including policies, procedures, systems, capability and parameters, as relevant.</p>

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has an in-house Group Internal Audit ("GIA") function, which is independent and reports functionally direct to the Audit Committee and administratively to the GCEO. The conduct of GIA is based on a Group Internal Audit Charter, which is established consistent with the requirements of the Institute of Internal Auditors' International Professional Practices Framework and approved by the Audit Committee as affirmed through a Quality Assurance Review conducted by the Institute of Internal Auditors Malaysia in 2014 and Messrs. Ernst & Young in 2019.</p> <p>The Audit Committee assesses the performance of the Chief Internal Auditor, which includes assessment of the effectiveness of the Group's internal audit function with reference to the Institute of Internal Auditors' International Professional Practices Framework.</p> <p>The Audit Committee reviews and approves the internal audit plan on an annual basis, which includes review of the resources and organization structure of the internal audit function.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>A declaration of relationships and conflicts of interest has been undertaken annually. From the declaration there are no conflicts of interest although there are GIA personnel who have relations within FGV. Where there are relationships, the personnel are rotated to areas of audit that do not involve their relations.</p> <p>Relationships are also identified during the recruitment process which requires candidates to declare if they have any relationships and no recruitment has been made of persons with relationships. In undertaking the internal audit work, GIA personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence. These have been disclosed in FGV's Annual Integrated Report 2019.</p> <p>The number of resources in the internal audit department and the name and qualifications of the person responsible for internal audit is also disclosed in FGV's Annual Integrated Report 2019.</p> <p>The GIA function is carried out in accordance with a recognized framework, i.e. the Institute of Internal Auditors' International Professional Practices Framework.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>FGV has a dedicated Investor Relations department, which is responsible for carrying out investor relations programme to ensure structured and balanced engagements with its stakeholders especially its current and potential shareholders.</p> <p>In 2019, communication with the shareholders and investment community is guided by FGV Shareholders' Communication Policy which detail the major channels of communication relating to FGV Group, including the following :</p> <ol style="list-style-type: none">1. An Investor Relations Policy (being developed to further strengthen the foundation of investor relations in FGV) that will encompass, among others, investor relations activities as well as communications with shareholders and the investment community :<ul style="list-style-type: none">• General meetings including Annual General Meeting and Extraordinary General Meeting for the shareholders;• Analysts briefings done quarterly via physical and/or conference call;• Non-deal roadshows and investor conferences participation to connect with potential investors;• Periodic engagements with key shareholders to update on business performance and moving forward plan;• Site/facilities visits (plantation/refinery) for the investment community upon requests; and• Periodic updates on the information contained on the corporate website in relation to financial, non-financial and shareholders' and investors' resources, where price-sensitive information shall first be released to Bursa Malaysia Securities Berhad in a timely manner, according to the Main Market Listing Requirements.2. General Meetings represent the primary platforms for a direct two-way interaction between the Shareholders, the Board of FGV and Management of FGV Group in relation to the material information in the Company's business.

	<p>3. Upon announcement of the quarterly results to Bursa Malaysia Securities Berhad, physical briefing and/or conference call with the analysts and media will be held, led by GCEO and Group Chief Financial Officer. Concerns regarding the performance, strategy, governance and future prospects could be raised during the briefing sessions which shall assist the flow of information between the Company and its stakeholders.</p> <p>4. Periodic engagements with key shareholders ensure consistent dispersion of information in assisting decision-making. FGV also provides reasonable access to the Management for the investment community and caters to requests of visits to FGV's facilities if deemed necessary. The Investor Relations contact details are provided in both the annual report and corporate website for ease of reference.</p> <p>5. FGV's corporate website is an avenue which provides the latest information to the stakeholders through periodic updates relating to the Company's financial and non-financial matters. A dedicated Investor Relations section in the corporate website contains up-to-date information on the financial, operational and other shareholders' and investors' resources, as well as the corporate presentations used during engagements with the investment community.</p> <p>Shareholders may also direct their enquiries with respect to FGV Group, shareholding matters and their concerns to Investor Relations, the Company's Share Registrar and the Senior Independent Director, respectively, with details as stated on the corporate website.</p> <p>In 2019, FGV conducted a total of 44 engagements with the investment community such as its key shareholders and analysts.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>FGV has embarked into integrated reporting for its Annual Report since 2015, guided by the International Integrated Reporting Council ("IIRC") Framework published in December 2013.</p> <p>FGV endeavours towards catering to the expectations of the stakeholders with regards to the growing demand for changes in corporate reporting and awareness on the importance of non-financial information in decision-making, and has therefore adopted a full integrated reporting framework in its 2019 Annual Integrate Report ("AIR") through the adoption of the six (6) capitals of value creation under the Management Discussion and Analysis section of the AIR. The Group's business review was segmented using these capitals instead of the performance by Business Units and Sectors (as reported in previous years' AIRs).</p> <p>This approach will provide a holistic picture of the combination, inter-relatedness and dependencies between the capitals that affect the Group's ability to create value over time, and assists shareholders in making informed and balanced decision regarding the Company. Notwithstanding, FGV will continue to improve its Integrated Reports to be in line with global best practices.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>FGV had issued its notice of the 11th Annual General Meeting on 29 April 2019 to FGV shareholders which is 28 days prior to the 2019 Annual General Meeting date, which was on 25 June 2019.</p> <p>FGV's notice of the 11th Annual General Meeting was advertised in one (1) nationally circulated Bahasa Malaysia newspaper and one (1) nationally circulated English newspaper.</p> <p>FGV will be issuing its notice of the 12th Annual General Meeting separately from its Annual Integrated Report 2019 and the same will also be advertised in at least one (1) nationally circulated newspaper.</p>
Explanation for departure	:	
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors of FGV had attended FGVs' 2019 Annual General Meeting and Extraordinary General Meeting held on 25 June 2019 and 27 November 2019 respectively.</p> <p>The Chairman of the Audit Committee, Nomination and Remuneration Committee, Investment Committee, Board Tender Committee and Board Governance & Risk Management Committee were also present at FGV's 2019 Annual General Meeting and Extraordinary General Meeting.</p> <p>The GCEO, the Group Chief Financial Officer, the GMC members (except one GMC member) and external auditors also attended FGV's 2019 Annual General Meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure		<p>FGV has leveraged technology to facilitate electronic voting. In line with the recommended best practices in corporate governance, FGV has conducted poll voting through electronic voting (e-Polling) as this is a more efficient and transparent process that results in a fair and more accurate reflection of Shareholders' views. This practice would enforce greater Shareholders' rights, and it is consistent with the principle of "one share one vote".</p> <p>The venues of FGV's general meetings were held in Kuala Lumpur and this provided easy access to the shareholders and FGV's Constitution permits its shareholders who are unable to attend all general meetings, to appoint proxies to vote on their behalf.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	<p>FGV will assess whether to leverage on technology to facilitate voting in absentia and remote shareholders' participation at general meetings.</p> <p>Due to the recent Coronavirus disease 2019 ("Covid-19") pandemic, FGV is considering to facilitate the voting in absentia and remote shareholders' participation at the 2020 Annual General Meeting.</p> <p>FGV will explore the appropriate technology and practical means that will allow shareholders to participate and vote remotely at its 2020 Annual General Meeting.</p>

Timeframe	:		
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SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT 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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