



FGV HOLDINGS BERHAD - DIRECTORS' FIT AND PROPER POLICY

FGV Holdings Berhad (FGV) already has in place its fit and proper policy i.e. FGV Board Nomination and Election Policy and Procedures (BNE Policy) which was approved by the Board on 29 March 2016 and revised on 28 August 2019. The BNE Policy include policies on Board composition, independence, conflict of interest and Board assessment. The policy on Board composition has taken into account the mix of skills, independence and diversity required to meet the needs of the Group.

The BNE Policy laid out a detailed and thorough process for appointment of Directors, including appointment, re-election or re-appointment, which took into consideration the relevant statutory/regulatory requirements with additional procedures based on the Company's needs for stringent Board selection, to ascertain suitability and ability to commit to the Company.

The Nomination and Remuneration Committee (NRC) assesses the suitability of Board candidates, taking into account the following before recommending their appointment to the Board for approval:

1. Character, professionalism and integrity;
2. Relevant skills, knowledge, expertise, experience and competence;
3. Time commitment - number of existing directorships, current professional responsibility and other obligations;
4. Selection criteria set out in the BNE Policy; and
5. Any other criteria which the NRC deems appropriate.

After the potential candidates have been shortlisted, the NRC shall conduct an assessment and evaluation of the potential candidates. The assessment and evaluation process may include, at the NRC's discretion, reviewing the candidate's resume, curriculum vitae and relevant information, confirming the candidate's qualifications, conducting legal and other background searches, formal or informal interviews, due diligence and declarations. For an Independent Director position, additional assessment on independence based on criteria set out in the BNE

Policy shall be carried out. The Company Secretary shall conduct a criminal offences/infractions check and bankruptcy check before the proposal for appointment is tabled to the Board.

As recommended by the Malaysian Anti-Corruption Commission (MACC), the BNE Policy prohibits nomination of an Active Political Person (i.e. 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) to be a Director of the Company.

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. The Board is also guided by the Board Succession Planning Framework in filling any skill set gaps.

The NRC also 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 NRC reviews the composition of the Board and decides whether to recommend the retiring Director for re-election taking into consideration the following:

- The Director's performance and contribution based on the outcome of the Board assessment;
- The Director's level of contribution to the Board deliberations through his/her skills, experience and strength in qualities; and
- The level of independence demonstrated by the Independent Directors, and his/her ability to act in the best interest of the Company in decision-making.

SUMMARY OF BNE POLICY **ON THE APPOINTMENT AND RE-ELECTION OF DIRECTORS**

Policy on Board Composition

The **composition and size** of FGV Board and FGV Board Committees shall be in accordance with FGV's Constitution, FGV's Board Charter and Terms of Reference of FGV Board Committees. In considering the composition of the FGV Board and FGV Board Committees, the following shall be considered:

- (a) evolving circumstances of the Company and the Group in terms of its size, scope or geography;
- (b) balance of Executive and Non-Executive Directors;
- (c) balance of Independent and Non-Independent Directors;
- (d) quorum requirements for FGV Board meetings and FGV Board Committee meetings; and
- (e) other factors such as, representation of the interests of certain shareholders or groups of shareholders (e.g. state agencies, pension funds), the technical knowhow or experience in the relevant industry sector, and the Board's diversity of professional experience, ethnicity, gender and age.

The **considerations** in determining the appropriate candidates for nomination and election to FGV Board shall include the following:

- (a) skills, knowledge, expertise and experience;
- (b) contribution and performance;
- (c) character, professionalism and integrity;
- (d) number of directorships and other external obligations which may affect the Director's commitment, including time commitment and value contribution;

- (e) in the case of candidates for the position of Independent Director, the Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected by Independent Directors; and
- (f) not an Active Political Person.

Qualities required of Directors – Pursuant to Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), Directors are required to demonstrate the following qualities to effectively discharge his/her role as a Director of the Company:

(a) Character

Positive character and professionalism which could contribute to board function, including the ability to challenge business proposals in a constructive manner;

(b) Experience and competency

Relevant industry or business experience, skills and knowledge that provides the Board the necessary industry or business perspectives and helps the Board facilitate business strategies, deliberations and carrying out the FGV Board/FGV Board Committee's roles (e.g. Audit Committee);

(c) Integrity

Director's integrity and reputation is important in fostering mutual confidence and trust among Directors, as well as with FGV's stakeholders; and

(d) Time

Directors shall commit sufficient time to the Company, as expected of them for the effective discharge of their roles and responsibilities. The time commitment of Directors takes into account the Director's full-time occupation and membership as Directors of other listed and non-listed entities.

In assessing candidates for directorship on FGV Board, the skills and experience, i.e. **Director's Skill Sets**, in the following areas shall be considered:

- (a) strategy and entrepreneurship;
- (b) legal and regulatory requirements;
- (c) corporate governance, risk management and internal controls;
- (d) audit, accounting, financial reporting and taxation;
- (e) investment evaluation;
- (f) human capital management;
- (g) corporate finance, finance, treasury and banking;
- (h) sales and marketing;
- (i) production and quality assurance;
- (j) research and development (technical);
- (k) information technology; and
- (l) specific industry experience and knowledge which includes the following:
 - Palm oil commodity market and trends,
 - Scientific research of palm oil,
 - Commodity trading and forecasting,
 - Palm oil production cycle, and
 - Emerging threats and competition to palm oil.

The recommendation by the Board and NRC for Directors submitting themselves for re-election and/or re-appointment shall be made in consideration of, amongst others, the following:

- (a) understanding and support of FGV Group's objects and goals;
- (b) demonstration of integrity in discharging his/her roles and responsibility;
- (c) attendance at FGV Board meetings and FGV Board Committee meetings;
- (d) effective communication, including contribution at FGV Board meetings and FGV Board Committee meetings;
- (e) participation at FGV Board meetings and FGV Board Committee meetings;
- (f) where a Director sits on various boards, the NRC shall consider whether the Director is able to and has been effective in carrying out his/her duties;
- (g) an open mind to the views of others and the ability to change or adjust positions after hearing them;
- (h) ability to express a dissenting or independent opinion, candour or challenge the majority view in a respectful and constructive manner;
- (i) commitment to continuing education both on an individual basis and Board basis, and ability to use this education to improve Board deliberations; and
- (j) compliance with governing rules and legislations, particularly conflict of interest, confidentiality and duty of care provisions.

FGV shall adopt **Board diversity**, in terms of gender, age, ethnicity and cultural background, in considering the composition of the Board which includes the followings:

- (a) adopts a merits-system and does not discriminate, including on the grounds of gender and ethnicity, in determining the composition of the FGV Board;
- (b) adopts a Board which is made up of different age groups, in order to infuse a mixture of qualities such as ideas, risk appetites or experience; and

- (c) maintain an appropriate diversity in relation to the mix of technical and non-technical qualities of Directors, to avoid 'group-think' during deliberations. For example, Directors with a balanced range of risk appetites enables strategic decisions to be made while risks are being managed.

The FGV Board shall, on an annual basis, review the composition of the Board in relation to the size of the FGV Board, mix of technical and non-technical qualities, and diversity in meeting the needs of FGV in the short, intermediate and long term.

Directors newly appointed to the FGV Board shall undergo an induction programme as stipulated in FGV's Board Charter, as well as the Mandatory Accreditation Programme (MAP) as required by the Listing Requirements (where applicable).

POLICY ON INDEPENDENCE

An Independent Director shall be independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of FGV. Without limiting the generality of the foregoing, the following **criteria of independence** shall be taken into account in determining the independence of an Independent Director:

- (a) the Director is **not an Executive Director** of the Company, its subsidiary, holding company or any related corporations;
- (b) the Director is **not or has not been within the last 2 years, an officer** (except as a Non-Executive Director) of the Company, its subsidiary, holding company or any related corporations;
- (c) the Director is **not a major shareholder** of the Company, its subsidiary, holding company or any related corporations;
- (d) the Director is **not a family member of an Executive Director**, officer or major shareholder of the Company or any of its related corporations, or a partner of such family member;
- (e) the Director is **not acting as a nominee or representative of an Executive Director or major shareholder** of the Company or any of its related corporations;
- (f) the Director **did not personally provide professional advisory services** to the Company or any of its related corporations within the last 2 years, where the consideration in aggregate is more than 5% of the gross revenue on a consolidated basis of the Director of the Company, or RM1 million, whichever is the higher;

- (g) the Director is **not a Partner, Director** (except as an Independent Director) **or major shareholder of a firm which has provided professional advisory services** to the Company or any of its related corporations within the last 2 years, where the consideration in aggregate is more than 5% of the gross revenue on a consolidated basis of the Director of the Company or RM1 million, whichever is the higher;
- (h) the Director **did not engage personally in transactions** with the Company or any of its related corporations (other than for Board service as a Non-Executive Director) within the last 2 years, where the consideration in aggregate exceeds 5% of the gross revenue on a consolidated basis of the Director of the Company or RM1 million, whichever is the higher;
- (i) the Director is **not a Partner, Director or a major shareholder of a firm which has engaged in transactions** with the Company or any of its related corporations within the last 2 years, where the consideration in aggregate is more than 5% of the gross revenue on a consolidated basis of the Director of the Company or RM1 million, whichever is the higher;
- (j) the Director is **not a person who is accustomed or under an obligation, whether formal or informal, to act** in accordance with the directions, instructions or wishes of a Director, officer or major shareholder of the Company or any of its related corporations;
- (k) the Director is **not a Director of a body corporate which is accustomed or under an obligation, whether formal or informal, to act** in accordance with the directions, instructions or wishes of the Director, officer or major shareholder of the Company or any of its related corporations;
- (l) the Director is **not a person in accordance with whose directions, instructions or wishes a Director, officer, or major shareholder of the Company** or any of its related corporations is accustomed or is under an obligation, whether formal or informal, to act;
- (m) the Director is a **not Director of a body corporate in accordance with which directions, instructions or wishes of a Director, officer, or major shareholder of the Company** or any of its related corporations is accustomed or is under an obligation, whether formal or informal, to act;
- (n) the Director **did not receive performance-based remuneration or incentives** from the Company, its subsidiaries, holding company or any related corporations;
- (o) the Director is **not a Director, officer, major shareholder, beneficiary, or a family member to such persons**, of a not-for-profit entity (including charitable organisation) **that receives significant contributions** from the Company or any of its related corporations;

- (p) the Director is **not a person who performs a policy-making function**;
- (q) the Director is **not a person who has the ability to exert considerable influence** on the Company's financial standings;
- (r) the Director is **not an administrator or liquidator of the Company**; and
- (s) the Director is **not a trustee or other person administering an arrangement** made between the Company and an external party.

FGV requires all Independent Directors to be able to demonstrate both actual and perceived independence, i.e. "Independence in Appearance" and "Independence in Mind".

The term of any Independent Directors in FGV Board shall not exceed three (3) years. Upon completion of three (3) years tenure, such Independent Director shall cease to be a Director, but may still be eligible for re-appointment to a maximum of nine (9) years. After a cumulative term of nine (9) years, an Independent Director shall cease to be a Director of the Company.

Notwithstanding the above, the Independent Directors shall be subjected to the annual assessment on independence, as part of the Board assessment.