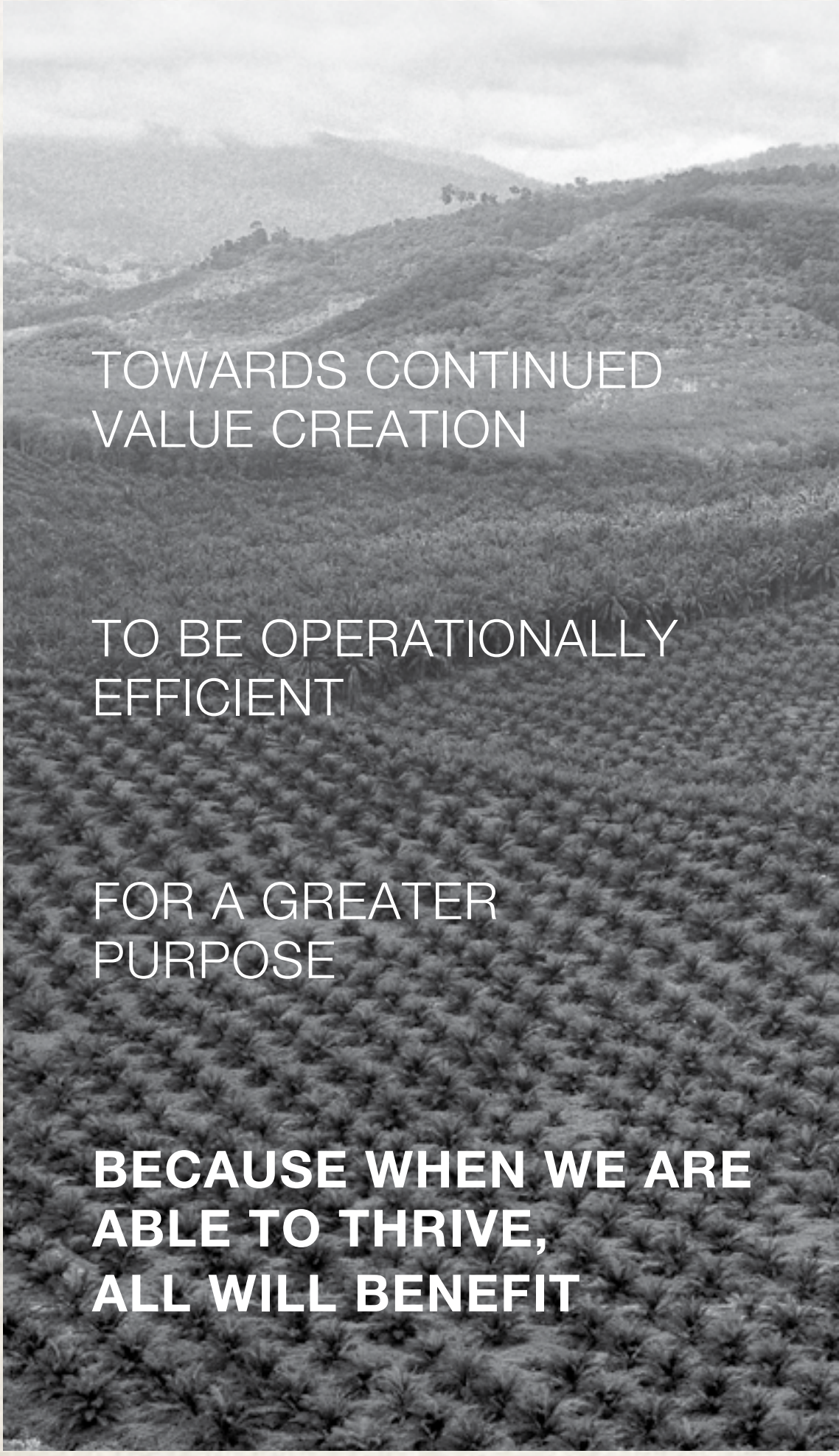
STRIVING

FORWARD

annual integrated report 2019

STRIVING

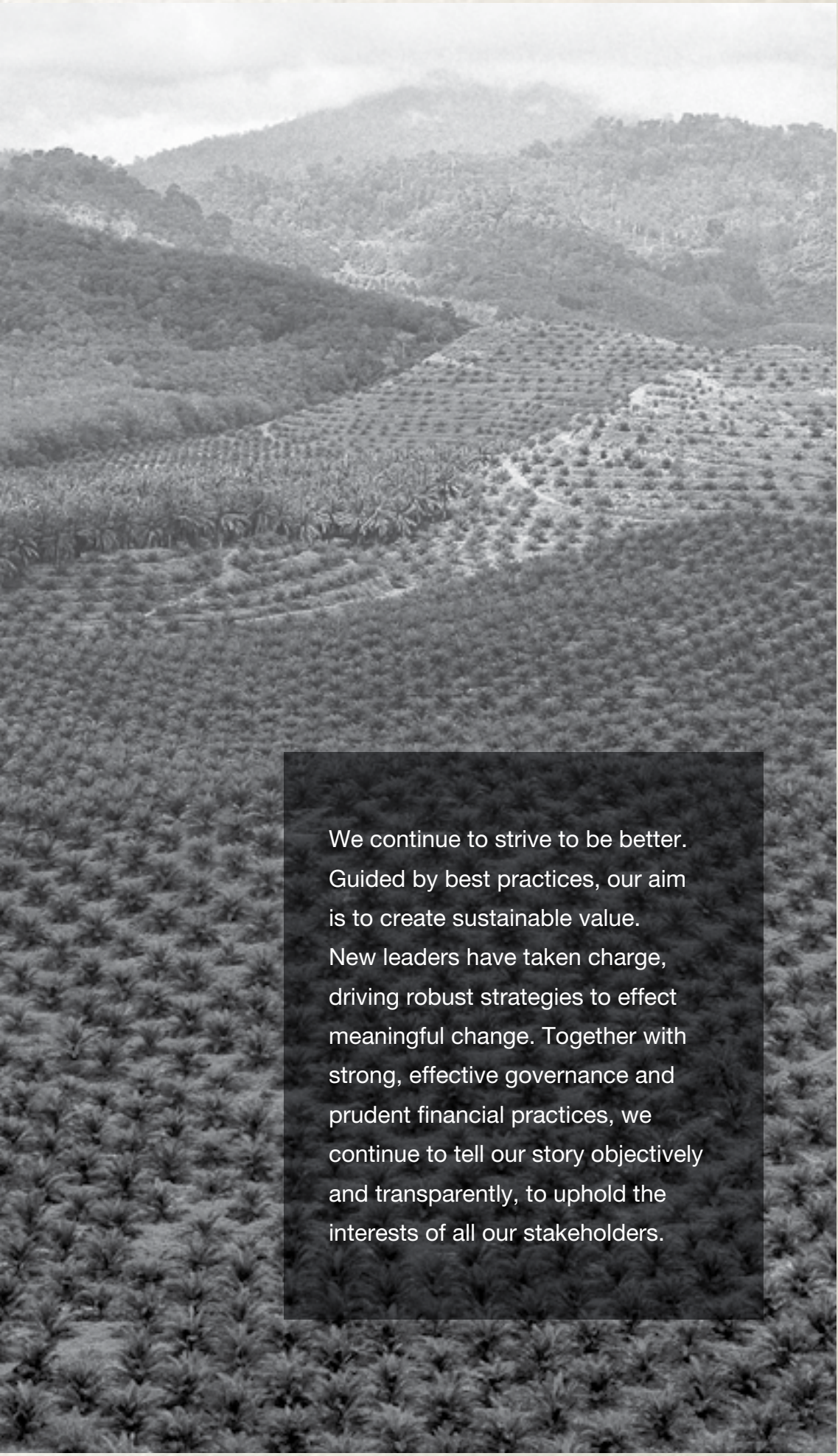


TOWARDS CONTINUED VALUE CREATION

TO BE OPERATIONALLY EFFICIENT

FOR A GREATER PURPOSE

BECAUSE WHEN WE ARE ABLE TO THRIVE, ALL WILL BENEFIT



We continue to strive to be better. Guided by best practices, our aim is to create sustainable value. New leaders have taken charge, driving robust strategies to effect meaningful change. Together with strong, effective governance and prudent financial practices, we continue to tell our story objectively and transparently, to uphold the interests of all our stakeholders.

FGV HOLDINGS BERHAD

FRONT PAGE

Vivid orange. The perfect shade that exhibits the vibrancy of FGV Holdings Berhad as we strive towards rebuilding confidence and trust in FGV; as we move closer to the vision of being a world-leading integrated and sustainable agribusiness. Underpinning the move to change is our commitment to operational efficiency and the fundamentals of continued value creation for our stakeholders, particularly the smallholders. These efforts accentuate our goals of achieving our vision and striving for a greater purpose and a better tomorrow for the benefit of all.

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ABOUT THIS REPORT

This is FGV's Annual Integrated Report (AIR) for the year ended 31 December 2019 (FY2019), which is FGV's 5th AIR. It is a culmination of our efforts to prioritise transparency and accountability in continuing to create sustainable value for our stakeholders.

This report reflects the integrated approach we take in operating our business. The Six Capitals, as identified by the International Integrated Reporting Council (IIRC), have served as essential guides to help us achieve our strategic objectives. The capitals represent stores of value and each of them—Financial Capital, Natural Capital, Manufactured Capital, Intellectual Capital, Human Capital and Social & Relationship Capital—is important in how it impacts our business.

By reporting in terms of the Six Capitals, our stakeholders will be better informed and have a broader view of how the business strives to create net positive value. This approach also allows for more concise reporting and frames topics in the context of value creation over time.

To produce this report, we have followed the IIRC Framework and adhered to local reporting requirements, i.e. the Malaysian Code on Corporate Governance 2017 (MCCG 2017) and the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities). We have also strived to achieve Global Reporting Initiative Standards benchmarks on sustainability reporting.

OUR REPORTING SUITE

FGV's 2019 reporting suite comprises the following:

Annual Integrated Report 2019
Audited Financial Statements 2019
Sustainability Report 2018/2019

REPORTING SCOPE AND BOUNDARIES

This AIR contains information on the value-creating activities that are material to the Group. Hence, the report has been confined to developments throughout FY2019, from 1 January 2019 to 31 December 2019. Unless otherwise stated, it covers all of FGV Holdings Berhad's businesses in Malaysia and the other countries we operate in. This includes operations over which we have full control, subsidiaries and joint ventures. We also report on other developments or information that may transcend our reporting boundaries but are considered highly material to the Group's performance.

This AIR reports on a like-for-like basis without any major restatements. We have also embedded our sustainability disclosures throughout this AIR to demonstrate how they support value creation and how important sustainability is to the Group. Further, this report includes all risks and opportunities material to our sustainability but does not estimate or forecast future impacts of our sustainability-related material matters.

We have applied the Precautionary Principle to assess potential environmental risks to avoid known and unforeseen negative environmental impacts. For a holistic view of our business, this AIR should be read together with the information available on our website at:

www.fgvholdings.com

OUR MATERIAL MATTERS

This AIR is based on our material matters, which were determined in 2018 and revalidated in 2019 to ensure that the matters continued to be applicable and relevant. This ensures that our strategy, performance and prospects are illustrated in the correct context. Our response to material matters in the financial, social, economic, environmental and governance aspects of our business have also been considered.

In developing this AIR further, we have included qualitative and quantitative performance measurements as well as other factors that may have affected business sustainability. Additionally, we have included issues presented to our Board of Directors, as well as reported risks and stakeholder interests.

REPORTING INTEGRITY

Following good governance practices, we have ensured that the information presented in this AIR is reliable, consistent and complete. To uphold report quality, this AIR has been reviewed by the Reporting Committee to ensure its compliance with the IIRC Framework and its fair representation of the performance of the Group against targeted value-creation outcomes.

The report has further been reviewed by the Audit Committee and together with the Audited Financial Statements 2019, submitted to the Board for its final approval.

The external auditors have further supported our assurance by providing external assurance on our Financial Statements. They have read all other information and considered whether it is materially consistent with the Financial Statements or their knowledge obtained in the audit. The external auditors have also provided a limited assurance review on our Statement on Risk Management and Internal Control (SORMIC).

FORWARD-LOOKING STATEMENTS

Where necessary, we have used forward-looking statements related to our Group's plans, objectives, strategies, future operations and performance. Such statements should not be taken as guarantees of the Group's future results as we remain subject to various possible scenarios of risks, uncertainties and assumptions. Actual results and outcomes may significantly differ from forward-looking statements. We make no express or implied representation or warranty that the results targeted by these forward-looking statements will be achieved. The Group is also under no obligation to update these forward-looking statements or the historical information included in this AIR.

ABOUT THIS REPORT

OPPORTUNITIES FOR FEEDBACK

We welcome feedback and enquiries from our stakeholders and the public on our reporting. Improving our reporting practices and standards can only be done with their involvement and regular engagement throughout the year. Our Investor Relations team can be contacted through the various feedback channels listed in Our Corporate Details on page 6 and Communicating with Stakeholders on page 113.

NAVIGATION ICONS

STRATEGIC THRUSTS

- Operational Improvement
- Products & Markets Penetration
- New Growth Area
- Financial & Capability Building

OUR SIX CAPITALS

Financial

This Capital consists of the pool of funds available to FGV that facilitates the adding of value to all other Capitals, including itself. FGV's pool of funds includes debt, equity or revenue generated from our business activities. It is critical for this resource to be sustained as the other Capitals require it to generate value.

Intellectual

Intellectual Capital consists of our research & development (R&D) capabilities that produce proprietary knowledge and other intellectual property that enable the Group to be more efficient and productive. The resultant higher-value products that are created along the palm oil value chain help to add value to all other Capitals.

Natural

Natural Capital comprises the natural resources we use during our business activities to create value for our stakeholders. This includes our landbank, which consists of our oil palm and rubber estates, and the water and electricity we use to process and refine palm oil.

Human

Human Capital is made up of the employees who work for FGV to help us achieve our business objectives. Taking care of our employees in terms of providing a safe, engaging workplace while also developing their skills and careers adds value to this Capital.

Manufactured

Manufactured Capital consists of our properties, mills, refineries and other equipment that are key components of our business operations. Our mills process fresh fruit bunches (FFB) into crude palm oil (CPO), which is then refined by the refineries downstream. Other components of this Manufactured Capital include our sugar mills, bulking and storage facilities and supporting transportation vehicles.

Social & Relationship

Social & Relationship Capital comprises our relationships with communities, regulators and other stakeholders. We strive to maintain and build on these relationships as they are important for business sustainability.

MATERIAL MATTERS

- YI — YIELD IMPROVEMENT
- EP — ECONOMIC PERFORMANCE
- GE — GOVERNANCE, ETHICS & INTEGRITY
- HR — HUMAN RIGHTS AND LABOUR RELATIONS
- RC — RSPO CERTIFICATION

WHO WE ARE

FGV is restoring confidence, enhancing capability and upholding integrity.
We are determined to go beyond our comfort zones to create sustainable value for our stakeholders. We are ready to make better decisions, work more efficiently and provide a place for our employees to flourish.

OUR VISION

To be among the **World's Leading Integrated** and **Sustainable Agribusinesses** and **Deliver Value** to customers and stakeholders

OUR MISSION

To be a GLOBAL LEADER by:

Creating Value through our Human Capital

Building an Integrated Value Chain Advantage

The Embodiment of Governance and Compliance

Cultivating Diversification in Commodities and Geography

PLANTATION SECTOR

UPSTREAM

PLANTATION LANDBANK IN MALAYSIA & INDONESIA

439,230 Ha*

** Including land under Land Lease Agreement (LLA) with FELDA*

PLANTED OIL PALM HECTARAGE IN MALAYSIA

338,437 Ha

LARGEST CRUDE PALM OIL PRODUCER IN MALAYSIA

3.07 Million MT

LARGEST OIL PALM MILL OPERATOR

68 mills

IN MALAYSIA

DOWNSTREAM

SAJI

#1

Refined cooking oil brand in Malaysia with 34% market share

SERI PELANGI

#1

Margarine with 40% volume share

RESEARCH AND DEVELOPMENT

YANGAMBI

#1 **Germinated seed producer in Malaysia with 44% market share**

LARGEST COMPOUND FERTILISER PRODUCTION WITH

730,000 MT

CAPACITY PER YEAR IN MALAYSIA

SUGAR SECTOR

SUGAR

GULA PRAI

#1

Refined sugar brand with 61% local market share

LOGISTICS & OTHERS SECTOR

LOGISTICS

#1

Edible oil storage in Malaysia with 844,400 MT of storage capacity

(#2 in the world)

All information presented is accurate as of 31 December 2019

OUR CORPORATE DETAILS

BOARD OF DIRECTORS

Datuk Wira Azhar Abdul Hamid
Chairman
Non-Independent Non-Executive Director

Mohd Hassan Ahmad
Non-Independent Non-Executive Director

Dr. Zunika Mohamed
Non-Independent Non-Executive Director
Appointed on 10 February 2020

Dato' Dr. Othman Haji Omar
Non-Independent Non-Executive Director

Dato' Yusli Mohamed Yusoff
Deputy Chairman
Independent Non-Executive Director

Datuk Mohd Anwar Yahya
Independent Non-Executive Director

Dr. Mohamed Nazeeb P.Alithambi
Independent Non-Executive Director

Dr. Nesadurai Kalanithi
Independent Non-Executive Director

Datin Hoi Lai Ping
Independent Non-Executive Director

Dato' Mohamed Suffian Awang
Independent Non-Executive Director
(Retired on 25 June 2019)

Datuk Dr. Salmiah Ahmad
Independent Non-Executive Director
(Resigned on 5 December 2019)

Dato' Dr. Noor Zari Hamat
Non-Independent Non-Executive Director
(Appointed on 23 July 2019)
(Ceased as Non-Independent Non-Executive Director on 22 January 2020)

REGISTERED OFFICE

Level 21, Wisma FGV
Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

Tel : +603 2789 0000
Fax : +603 2789 0001
Website : www.fgvholdings.com

GROUP CHIEF EXECUTIVE OFFICER

Dato' Haris Fadzilah Hassan

COMPANY SECRETARY

Koo Shuang Yen
(MIA 7556)

INVESTOR RELATIONS AND ENQUIRIES

Fairul Nizam Che Rus
Head of Investor Relations
Level 20, Wisma FGV
Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

Tel : +603 2789 0000
E-mail : fgv.investors@fgvholdings.com

@fgvholdings
FGV Holdings Berhad
@fgvholdings
FGV Holdings Berhad

PLATFORM FOR SHAREHOLDERS/STAKEHOLDERS TO CONVEY CONCERNS

Dato' Yusli Mohamed Yusoff
(Deputy Chairman, assumes the role of the Senior Independent Director)

E-mail : sid@fgvholdings.com

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
Registration No.: 199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13,
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel
(Help Desk) : +603 7890 4700
Fax : +603 7890 4670
Website : www.boardroomlimited.com
E-mail : bsr.helpdesk@boardroomlimited.com

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF 1146)
Chartered Accountants
Level 10, 1 Sentral, Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia

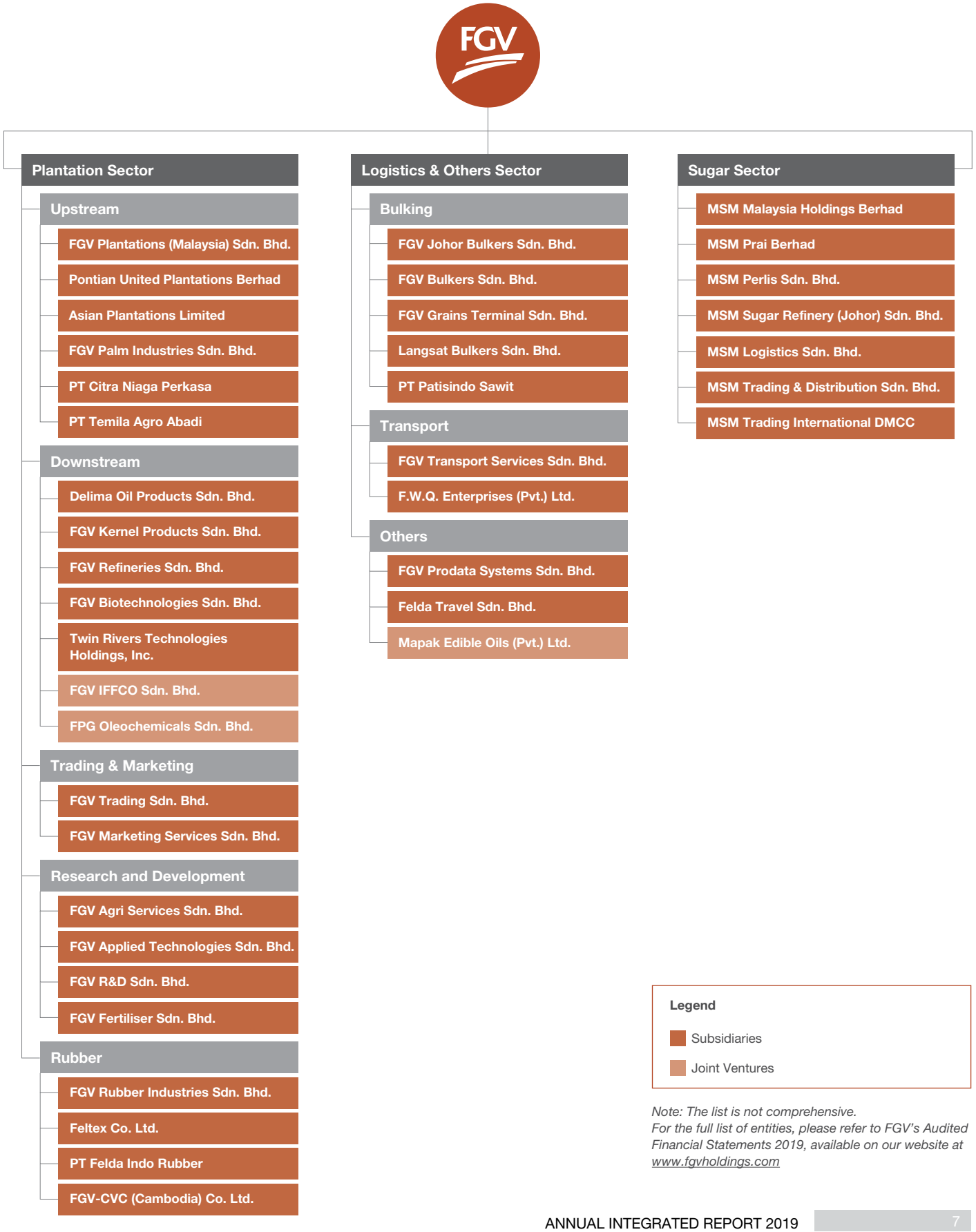
Tel : +603 2173 1188
Fax : +603 2173 1288
Website : www.pwc.com/my

STOCK EXCHANGE LISTING

Listed on Main Market of Bursa Malaysia Securities Berhad

Listing Date : 28 June 2012
Stock Name : FGV
Stock Code : 5222
Stock Sector : Plantation

OUR GROUP STRUCTURE



Legend

- Subsidiaries
- Joint Ventures

Note: The list is not comprehensive.
For the full list of entities, please refer to FGV's Audited Financial Statements 2019, available on our website at www.fgvholdings.com

OUR PRESENCE

CREATING VALUE, HELPING COMMUNITIES

WEST MALAYSIA

1 PERLIS
1 sugar refinery

2 KEDAH
1 estate
1 rubber-processing facility

3 PENANG
1 sugar refinery
1 transportation sub-depot

4 KELANTAN
11 estates
3 mills
1 transportation sub-depot

5 TERENGGANU
7 estates
5 mills

6 PERAK
7 estates
2 mills
1 transportation sub-depot

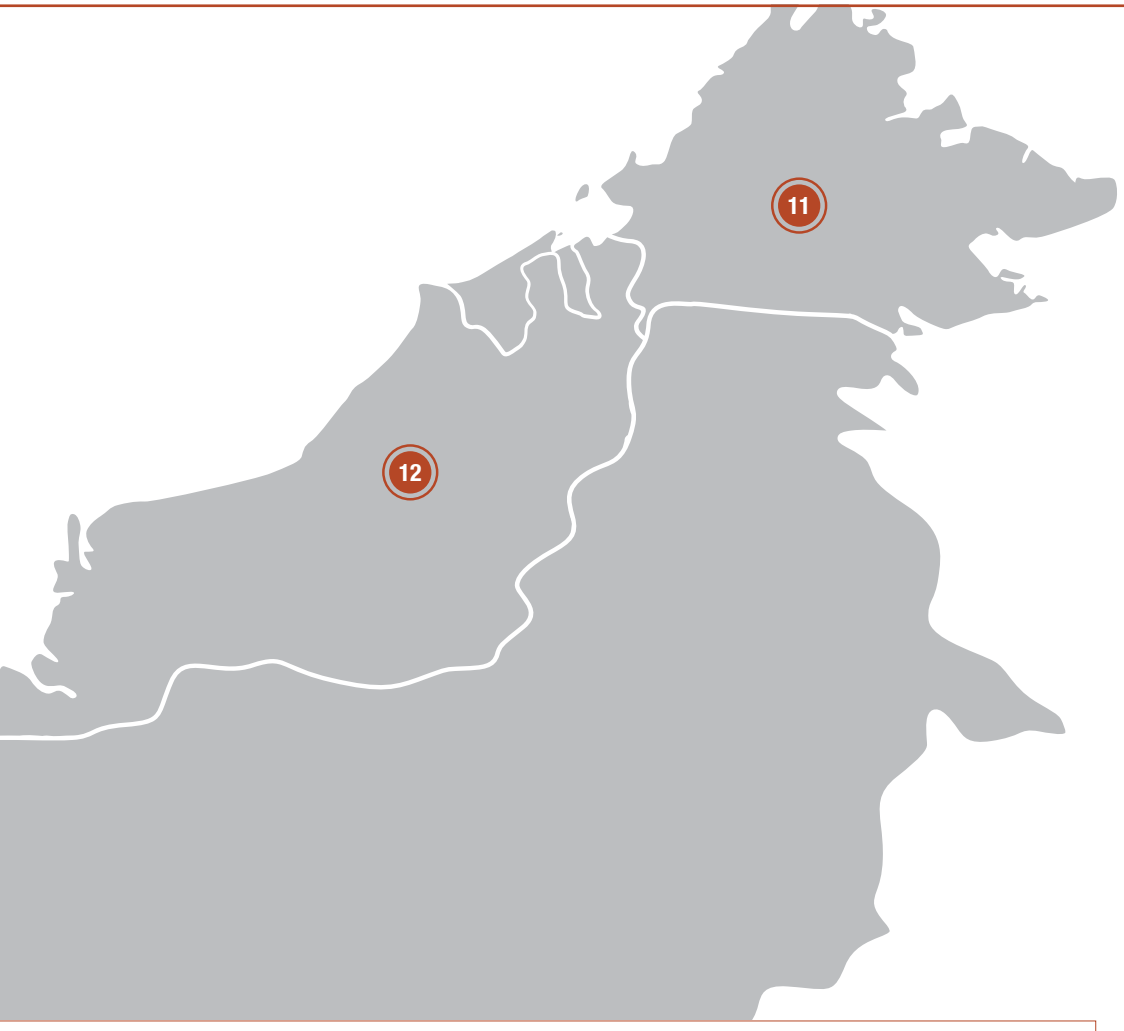
7 PAHANG
60 estates
27 mills
1 rubber-processing facility
1 kernel-crushing plant
1 transportation depot
1 transportation sub-depot
1 biodiesel plant
1 oleochemical plant*
1 palm oil refinery
1 fertiliser manufacturing plant
1 research and development centre
2 bulking terminals
1 warehouse

8 SELANGOR
1 mill
1 kernel-crushing plant
2 transportation depots
1 transportation sub-depot
1 warehouse
1 bulking terminal
1 palm oil refinery*

9 NEGERI SEMBILAN
6 estates
3 mills
2 rubber-processing facilities
1 research and development centre
1 transportation sub-depot

Further details on the assets owned by FGV can be found on our website at www.fgvholdings.com

OUR PRESENCE



EAST MALAYSIA

(10) JOHOR

- 20 estates
- 14 mills
- 1 kernel-crushing plant
- 1 transportation depot
- 1 transportation sub-depot
- 5 bulking terminals
- 2 palm oil refineries***
- 1 sugar refinery
- 1 fertiliser manufacturing plant
- 2 warehouses

(11) SABAH

- 75 estates
- 11 mills
- 2 palm oil refineries
- 2 bulking terminals
- 1 fertiliser manufacturing plant
- 1 research and development centre
- 1 kernel-crushing plant
- 1 transportation depot
- 1 transportation sub-depot
- 1 jetty operation
- 1 power plant

(12) SARAWAK

- 10 estates
- 2 mills
- 1 transportation sub-depot

OUR GLOBAL PRESENCE

CAMBODIA

- 1 rubber-processing facility

FRANCE

- 1 trading office*

INDONESIA

- 5 estates
- 1 rubber-processing facility
- 1 bulking terminal

PAKISTAN

- 1 refinery complex*
- 2 bulking terminals**
- 1 trading office*
- 1 jetty operation

SPAIN

- 1 trading office*

THAILAND

- 1 rubber-processing facility

TURKEY

- 1 vegetable oil refinery*

USA

- 1 oleochemical plant

* *Joint Ventures (JV)*
** *One of the two bulking terminals is a JV*
*** *One of the two palm oil refineries is a JV*

EMBEDDING SUSTAINABILITY INTO OUR BUSINESS

SUSTAINABILITY STATEMENT

At FGV, we understand and realise the importance of being socially and environmentally responsible as we execute our business activities. It is a core belief that creating value for our stakeholders must be carried out hand-in-hand with initiatives that support the communities around us and limit our negative impact on the environment. Thus, FGV has committed to respecting human rights in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs) as well as to embedding sustainability into every part of our value-creation chain. The Group has determined that sustainability is one of the key enablers to help us achieve the objectives of our Business Plan 2019-2021 (BP21). By addressing sustainability issues, we will effectively be solving business issues. This has therefore enabled a natural progression to approach everything we do in a sustainable way. In this context, we have:

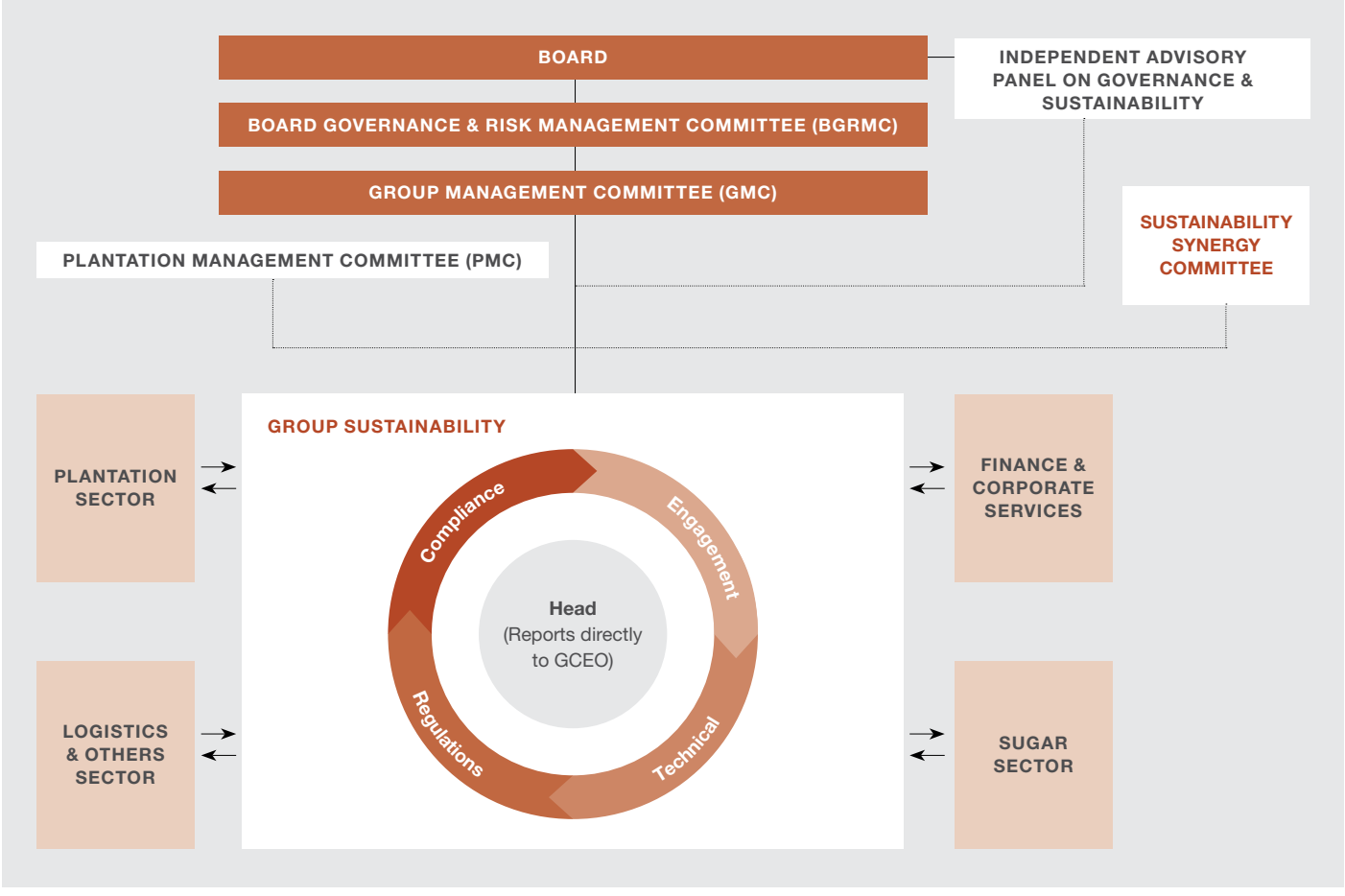
- Further reinforced our Group Sustainability Policy (GSP) to include our vendors and business partners in our sustainability journey.
- Continued our progress to attain full traceability.
- Built strategic partnerships with organisations that can help improve our labour practices.
- Supported our smallholders to obtain sustainability certification.
- Contributed time, effort and resources to conservation programmes for both flora and fauna.

As this is the fifth year of integrated reporting for FGV, we have taken the decision to digitise our Sustainability Report (SR) to support better accessibility and to be environmentally-friendly. The Sustainability Report 2018/2019 can be found on our website at:

www.fgvholdings.com

Our sustainability reporting practices adhere to Bursa Securities' Sustainability Reporting Guide. We are also guided by the Global Reporting Initiative Standards on sustainability reporting, IIRC Framework and other global best practices.

SUSTAINABILITY GOVERNANCE



EMBEDDING SUSTAINABILITY INTO OUR BUSINESS

BOARD

The Board is accountable for the Group's sustainability strategy and performance. It ensures FGV's strategy incorporates environmental, social and governance considerations and approves the Sustainability Statement for the Annual Integrated Report 2019 and Sustainability Report 2018/2019.

BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE

As the Committee that directs and oversees the formulation of the Group's overall sustainability framework and strategies, it monitors the implementation of the Group's approved overall sustainability framework and strategies, including principles and policies. It also reviews any Sustainability Report or information that is meant for public consumption and has major financial and/or major reputational impact on the Group.

HEAD OF GROUP SUSTAINABILITY DIVISION

The Head of the Group Sustainability Division (GSD) directs and oversees the day-to-day work of the GSD and advises the Group on matters pertaining to sustainability, which include aspects relating to human rights and environmental protection. The Head of the GSD also serves as the Chairman of the Sustainability Synergy Committee, with committee members from various Business Sectors.

INDEPENDENT ADVISORY PANEL

Comprising experts from related fields, the panel provides independent advice and recommendations to FGV on corporate governance and sustainability.

GROUP CHIEF EXECUTIVE OFFICER (GCEO)

The Group Management Committee is chaired by the GCEO. He also acts as the advisor to the Sustainability Synergy Committee. The GSD reports directly to the GCEO, driving higher accountability and quick decision-making in areas concerning corporate respect for human rights and social responsibility as well as environmental sustainability, which include commitment to a 'No Deforestation, No Peat, No Exploitation' (NDPE) policy. Given this newly established reporting structure, the GCEO plays a significant and direct role in overseeing and advising on the overall conduct of the Group's sustainability efforts and programmes.

SUSTAINABILITY SYNERGY COMMITTEE

The Sustainability Synergy Committee comprises the heads or representatives of the various sectors and divisions within FGV Group to facilitate the mainstreaming of sustainability principles and practices throughout FGV, as well as to ensure effective implementation of FGV's sustainability initiatives and programmes across the board.

UNITS UNDER SUSTAINABILITY

Sustainability Compliance and Certification

This unit advises the relevant departments and units on all sustainability matters to ensure compliance with relevant standards and requirements of international and local bodies. It also manages the Roundtable on Sustainable Palm Oil (RSPO) auditing and certification process for all complexes in FGV and supports FELDA settlers in preparing for certification audits. In addition, the unit conducts roadshows to promote RSPO benefits to smallholders, monitors and advises on sustainability issues related to estate workers and social compliance, as well as prepares and monitors the implementation of action plans related to labour issues.

Sustainability Technical

This unit establishes methodology to measure, monitor and improve the performance of sustainable key areas. It also compiles data and liaises with external parties on sustainability reporting and programmes, besides participating in environmental education and research.

Sustainability Engagement

Apart from overseeing stakeholder management, this unit develops communication plans relating to sustainability management and programmes, and monitors sustainability projects' progress, budget expenses and governance.

Sustainability Regulation

Sustainability Regulation ensures that our policies and procedures are in line with relevant international standards as well as applicable laws and regulations, and monitor issues related to our policy of NDPE.

EMBEDDING SUSTAINABILITY INTO OUR BUSINESS

SCOPE AND BOUNDARIES

Please refer to our Reporting Scope and Boundaries on page 2 of this report.

ENGAGING WITH OUR STAKEHOLDERS

FGV regularly engages with its stakeholders to collaborate with them and address concerns faced by our diverse stakeholder groups. We are committed to strengthening ties with our stakeholders as we strive to meet their needs and continue to deliver value in our sustainability journey. For more details on stakeholder engagement, please refer to page 74 of this report.

MATERIAL SUSTAINABILITY MATTERS

Please refer to how we assess our material matters on page 17 of this report.

MAPPING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs) AGAINST OUR SUSTAINABILITY INITIATIVES

ECONOMIC

ENVIRONMENTAL

SOCIAL

SUSTAINABILITY POLICIES AND GUIDELINES

GROUP SUSTAINABILITY POLICY

FGV's Group Sustainability Policy (GSP) reflects the Group's renewed commitment to three pillars, namely: Respecting Human Rights, Protecting the Environment and Promoting Sustainability.

RESPECTING HUMAN RIGHTS

- Enhancing livelihoods
- Meeting labour standards
- Upholding the principle of free, prior and informed consent (FPIC)
- Exercising non-discrimination and gender equality

PROTECTING THE ENVIRONMENT

- No Deforestation, No Peat, No Exploitation (NDPE)
- Responsible use of agrochemicals
- Responsible management of water and waste
- No open burning
- Addressing climate change
- Maintaining or enhancing elements of high conservation value (HCV)

PROMOTING SUSTAINABILITY

- Supply chain management
- Traceability
- Responsible sourcing
- Due diligence
- Grievance mechanism
- Reporting

GUIDELINES AND PROCEDURES FOR RESPONSIBLE RECRUITMENT OF FOREIGN WORKERS

The Group's Guidelines and Procedures for Responsible Recruitment of Foreign Workers ensure the Group adheres to legal processes of sourcing and receiving countries, which reflects the Group's commitment to upholding human rights as laid out in the GSP. The comprehensive guidelines cover the whole process of recruitment from pre-employment to post-employment.

SUPPLIER CODE OF CONDUCT (SCOC)

FGV's SCOC outlines the acceptable conduct and behaviour expected of the Group's suppliers and third-party companies representing FGV. The SCOC underpins FGV's procurement process with honesty, transparency and integrity.

SAFETY AND HEALTH POLICY

FGV strives to provide a safe and healthy workplace for its employees and migrant workers by ensuring its business operations are carried out in a responsible and sustainable manner. The Group's Safety and Health Policy underlines FGV's commitment to regulatory compliance and promoting a health and safety culture within the Group.

Further details on sustainability-related policies and guidelines can be found at www.fgvholdings.com

EMBEDDING SUSTAINABILITY
INTO OUR BUSINESS

TOWARDS FULL SUSTAINABILITY & TRACEABILITY

KEY PRIORITIES	KEY INITIATIVES (2020-2022)	STRATEGIC OUTCOMES
Ensuring responsible business practices throughout FGV	- Sustainability Certification Programme - GSP Socialisation	Market Penetration
Ensuring responsible sourcing	Traceability & Supply Chain Management	
Respecting human rights and enhancing labour practices	Strategic Partnerships: - Fair Labor Association (FLA) - International Organization for Migration (IOM) and Earthworm Foundation	Sustaining Market Share
Promoting effective engagement with stakeholders		
Protecting, conserving and enhancing ecosystems and the environment	Smallholder Programme (Collaboration with Procter & Gamble Company (P&G))	Reputation
100% traceability of crude palm oil (CPO) and crude palm kernel oil (CPKO) to the mills and estates	Conservation Programme	

EMBEDDING SUSTAINABILITY
INTO OUR BUSINESS

SUSTAINABILITY – KEY HIGHLIGHTS

ENVIRONMENTAL

SPOTT ASSESSMENT

Ranking

26th
out of 99
2018: 27th

FOREST HEROES GREEN TIGERS INDEX

Score

71/100
(Green Cat)
2018: 39 (Red Cat)

NUMBER OF COMPLEXES RSPO AND MSPO CERTIFIED

RSPO

33
2018: 22

MSPO

55*
2018: 7

**As at 28 February 2020, all 68 complexes are MSPO-certified*

GHG EMISSIONS

Reduction of CO2 eq.

158,830
2018: 195,239*

Biogas plants monitored

12
2018: 15*

**restatements*

SOCIAL

BOARD & MANAGEMENT GENDER DIVERSITY (FEMALE REPRESENTATION)

Board

33%
2018: 30%

Management

33%
2018: 18%

As at 20 March 2020

SCHOLARSHIPS

Total scholarships

119
2018: 119

Scholars serving the Group

51
2018: 31

WORKERS' HOUSING

Completed

260 RPT

59 APA

RPT: Rumah Pekerja Tempatan (Local Workers' Housing)
APA: Asrama Pekerja Asing (Migrant Workers' Hostel)

SUSTAINABILITY TRAINING

2018	2019
Sustainability Training Session	GSP Socialisation
Environment Management Training	Stakeholder Consultation
MSPO Certification Training Part 2 (MS 2539-2:2013) Independent Smallholders	MSPO Certification Training Part 2 (MS 2539-2:2013) Independent Smallholders

EMBEDDING SUSTAINABILITY INTO OUR BUSINESS

ECOSYSTEM AND BIODIVERSITY PROGRAMME

- Sun Bear Conservation Programme
- Rafflesia Conservation & Interpretation Centre
- Mega Biodiversity Corridor Conservation Project

GOVERNANCE

Received the internationally recognised

ISO 37001:2016 certification

for Anti-Bribery Management Systems (ABMS)

ECONOMIC

CERTIFIED SUSTAINABLE PALM OIL AND PALM KERNEL

CSPO PRODUCTION

454,918 MT

2018: 425,131 MT

CSPK PRODUCTION

112,398 MT

2018: 109,185 MT

OUR MARKET LANDSCAPE

2019 PALM OIL MARKET REVIEW

In 2019, the palm oil industry experienced a second consecutive year of lower prices with the average price of palm oil down 7.2% year-on-year to RM2,077.50 per MT. This was largely due to high palm oil stock of 3.2 million MT at the start of the year. Demand, however, was buoyant given that lower prices of palm oil improved its competitiveness against other vegetable oils. Overall output in 2019 recorded marginal growth compared to 2018.

Demand in 2019 was largely driven by Malaysia's three largest export destinations. Exports to China increased by 34% year-on-year as it replenished stock ahead of the Chinese New Year festive season, while lower prices and lower domestic crop output attracted Indian buyers, driving exports up 76% year-on-year. In Europe, even against the backdrop of the European Union's move to progressively phase out the use of palm oil in its biodiesel, Malaysia recorded a 9% year-on-year improvement in exports to the region. Strong demand was also seen in other destinations, including Indonesia, the United States, Italy, Japan and Iran.

Total demand in 2019 reached 24.05 million MT, which consequently led to low stock levels at 2 million MT as of end-2019. Lower stocks led to a revival in palm oil prices as it reached a high of RM2,826 per MT in December 2019.

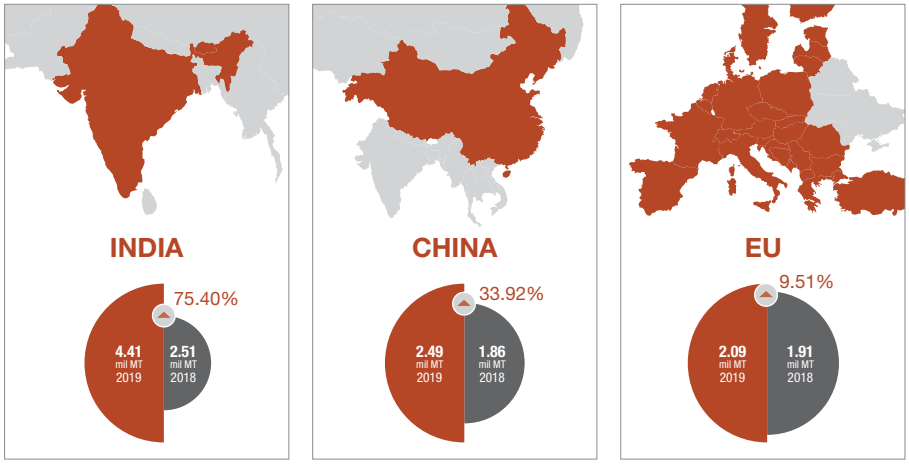
2019/2020 SUGAR MARKET OVERVIEW

Global sugar production for 2019/2020 is expected to reduce by 6 million MT (from the previous season of 2018/2019) to 178 million MT due to lower production in India and Thailand (the world's second and third largest sugar producers after Brazil). Brazil's production remains almost unchanged compared to the previous season of 2018/2019 at about 26 million MT, and is expected to produce more sugar in the next season due to the slump in oil prices which consequently makes ethanol production unattractive. Thailand which has been affected by dry-weather in key planting areas, is expected to produce 8.2 million MT for the season of 2019/2020 as compared to 14.6 million MT in the previous season.

Global sugar consumption is expected to be flattish and almost unchanged from the previous season of 2018/2019 at about 182 million MT as countries utilizes the surpluses and carry-stocks from previous seasons. Sugar consumption for the next season of 2020/2021 is expected to increase but on a smaller quantum due to the worldwide movement restriction imposed (as an effort to curb the COVID-19 pandemic) caused the closures of restaurateurs, hoteliers and the Food & Beverage Industry. Consumption for the next season of 2020/2021 is forecasted to be around 184.5 million MT against 185 million MT of sugar production.

In Million MT	2019	2018	YoY %
Price (RM/MT)	2,077.50	2,238.50	▼ 7.2
Production	19.86	19.52	▲ 1.7
Exports	18.47	16.49	▲ 12.0
Imports	0.98	0.84	▲ 16.1
Local Disappearance	3.57	3.39	▲ 5.5
End Stock	2.01	3.22	▼ 37.6

MALAYSIA'S PALM OIL EXPORTS



2020 PALM OIL MARKET OUTLOOK

We expect palm oil prices to trade higher from the previous year, ranging between RM2,200 and RM2,400 per MT. Key factors for this include:

1. Biodiesel demand – Demand from Indonesia's B30 and Malaysia's B20 implementation is likely to absorb any significant rise in production and leave inventories at around 2 million MT. Indonesia's B30 implementation may use up to 10 million MT of palm oil while Malaysia is projected to consume up to 1.3 million MT, which is 75% and 5% higher, respectively, compared to the previous year. Indonesia plans to implement B50 biodiesel by 2021 and will then be consuming as much as 14 million MT of palm oil, which will continue to tighten supply.

2. Lower production – The impact from the cutback in fertiliser usage in 2019 and weather challenges is likely to impact production in 2020. Malaysia's production is expected to be lower at around 19.3 to 19.6 million MT following three years of higher production.

3. The impact of COVID-19 – The COVID-19 pandemic threatens stoppages of operations in the estates and mills, which will affect CPO supplies. As countries step up their fight against the pandemic, new restrictions on logistics services will also affect movements of CPO, thereby impacting inventory levels. China's recovery from the pandemic after not more than three months of lockdown in Wuhan, which caused restrictions on movement of trade between countries, provides relief as demand for CPO is expected to increase as China replenishes its stockpile. Nevertheless, competition remains from Indonesia due to its lower cost and there is expected to be excess quantities from India and other countries as they embrace the challenges of the pandemic in their respective countries, which may involve logistical restrictions on the movement of CPO and stoppages of business operations in the destination countries. While CPO price remains stable for the first quarter of 2020 in spite of the COVID-19 challenges, the duration for recovery from the pandemic across the world is crucial for the CPO outlook.

Sources: Malaysian Palm Oil Board (Economics and Industry Development Division), UOB Kay Hian Asean Plantation Highlights, Oil World, Futuresource, USDA

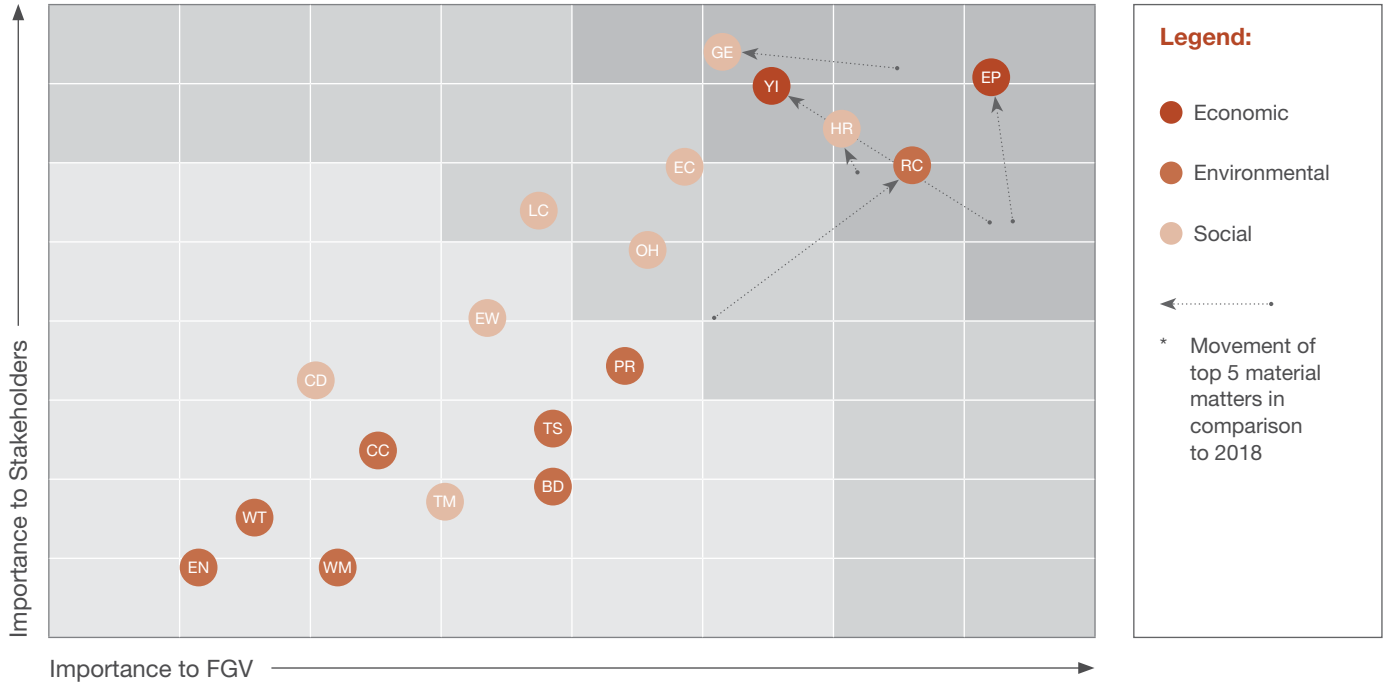
ASSESSING OUR MATERIAL MATTERS

MATERIALITY

FGV prioritises the identification of issues that are most significant to our stakeholders and our operations. In 2018, we conducted a comprehensive Materiality Assessment with the support of an independent consultant, engaging our internal and external stakeholders to gain their views on our Group's material matters. This process involved a review of our Materiality Matrix to determine the factors impacting our delivery of value.

VALIDATION

In 2019, we conducted an internal review and assessment of our material matters to validate their relevance to our stakeholders and business operations. We were guided by sustainability frameworks, guidelines, principles and the requirements of sustainability rating indices such as the Global Reporting Initiative (GRI) and Dow Jones Sustainability Indices (DJSI). In addition, we reviewed topics and the best practices of selected industry players and global initiatives such as the Zoological Society of London's (ZSL) Sustainability Policy Transparency Toolkit (SPOTT). We aligned our material matters to local, regional and global issues and megatrends to identify potential gaps, which included benchmarking against sustainability standards such as RSPO, Malaysian Sustainable Palm Oil (MSPO), NDPE, SDGs, Malaysia's SDG Roadmap Phase 1 and the 11th Malaysia Plan. After our external validation exercise, we are pleased to report that there have been no major shifts in our material issues. We have also mapped each material matter to the relevant SDGs and our Six Capitals of value creation, which represent the boundaries within which they have an impact or are impacted on.



BD Biodiversity and Deforestation
CC Climate Change
CD Community Development (CSR)
EP Economic Performance
EC Effective Communications
EW Employee Engagement and Well-being
EN Energy Consumption
GE Governance, Ethics & Integrity
HR Human Rights and Labour Relations
LC Legal Compliance
OH Occupational Health and Safety
PR Products Responsibility
RC RSPO Certification
TM Talent Management
TS Traceability/Supply Chain
WM Waste Management
WT Water Management
YI Yield Improvement

ASSESSING OUR MATERIAL MATTERS

Of the 18 relevant matters identified, five were ranked the highest by our stakeholders and business:

- **YI** Yield Improvement
- **EP** Economic Performance
- **GE** Governance, Ethics & Integrity
- **RC** RSPO Certification
- **HR** Human Rights and Labour Relations

Key changes in 2018 include the addition of Labour Relations to Human Rights to cover equal remuneration and freedom of association and the separation of Talent Management from Employee Engagement and Well-being to provide greater coverage of talent development and succession planning. Effective Communications moved to a lower position as we persisted with ongoing engagements with our stakeholders to ensure we communicated our performance and activities effectively. Following recent events related to sustainability, RSPO Certification has climbed up the priority ladder to become one of our top stakeholder concerns.

Material matter	Why it is important	How it is managed – includes:		Indicators for reporting	SDG
		Policies to manage this matter	Actions taken		
Yield Improvement	Improving yield through improvements in operational efficiency and leveraging on innovation to use environmentally friendly pesticides and fertilisers will reduce the pressure to open up new plantations, as well as mitigate the impact on the environment.	Group Sustainability Policy	Use of seeds, pest and disease control and fertilisers, which are supported by the use of the latest technologies and implementation of site-specific good agricultural practices (GAP)	FFB yields achieved during the reporting year	
Economic Performance	Our economic performance determines the sustainable economic value we generate, as well as the value created for our stakeholders. The strength of our Financial Capital mirrors our economic performance.	Group's Authority Limits Group Finance Policies & Procedures	Key financial drivers and financial performance highlights, including comparison to targets and peer comparisons, impairments and discussions on Financial Statements	Profitability, revenue growth and balance sheet management	

ASSESSING OUR MATERIAL MATTERS

Material matter	Why it is important	How it is managed – includes:		Indicators for reporting	SDG
		Policies to manage this matter	Actions taken		
Governance, Ethics & Integrity	Strong governance, ethics and integrity practices will ensure sustainable and responsible business growth that is highly valued by investors.	Anti-Bribery Policy Statement Code of Business Conduct and Ethics External Gift, Entertainment & Hospitality Policy Sponsorships & Donations Policy Whistleblowing Policy and Procedures	Large-scale implementation across the Group encompassing operations throughout Malaysia	Percentage of operations assessed for risks related to corruption	
RSPO Certification	Compliance with the RSPO Principles and Criteria ensures that we are in line with the most widely accepted sustainability standards for palm oil in the world, while also helping the Group produce palm oil that commands premium pricing.	Group Sustainability Policy	Certification of 33 mills at the end of 2019	Policies and commitment to certified raw material sourcing	
Human Rights & Labour Relations	Ensuring we respect human rights and practise fair treatment of all our employees is crucially important for our business to remain sustainable, and grants us the social licence to operate.	Group Sustainability Policy	Participation in workers' union, both in-house and at the national level	Measures taken to support freedom of association	

OUR ORGANISATIONAL VALUES

Partnership

Best solutions and ideas come from working with both colleagues (internal) and business partners (external)

Respect

Our sustained success and achievements can only come from respect for people (colleagues, peers and business partners), as well as the environment, which is the main source of our business

Integrity

Integrity is about trust, honesty and sincerity. In our context, it means being responsible and accountable for one's own actions and behaviours. Each employee is responsible for the Group's success and business reputation

Dynamism

We strive to discover, create ideas and identify growth potential from uncharted opportunities and beyond traditional boundaries, all done in the best interest of stakeholders and communities

Enthusiasm

We strive to lead with passion and work with enthusiasm. We are enthusiastic about what we do, committed to the growth and future of our agribusiness, while at the same time, propagating sustainable development around the world

UNDERSTANDING OUR BUSINESS

OUR VALUE CREATION MODEL, SHAPED BY MATERIAL MATTERS

OUR STRATEGY

- OPERATIONAL IMPROVEMENT
- PRODUCTS & MARKETS PENETRATION
- NEW GROWTH AREA
- FINANCIAL & CAPABILITY BUILDING

OUR TARGETED VALUE PROPOSITIONS

KEY INPUTS

FINANCIAL CAPITAL
- Shareholder equity: RM4,173 million
- Total assets: RM17,702 million
- Deposits, cash and bank balances: RM1,618 million

NATURAL CAPITAL
- Landbank – 439,230 Ha
- Mechanised area – 115,000 Ha
- Planted area:
  - Oil Palm: 338,437 Ha
  - Rubber: 11,201 Ha
- Total replanted area: 74,953 Ha

MANUFACTURED CAPITAL
- Number of mills: 68
- Palm oil refineries: 8 globally
- Sugar refineries: 3
- Liquid terminals: 12
- Liquid tankers and cargo trucks: 437
- Warehouses: 3

INTELLECTUAL CAPITAL
- 3 research and development centres supported by 56 highly qualified researchers and staff
- Planting materials technology
- Integrated pest and disease management
- Development of best mechanisation practices and systems for Upstream

HUMAN CAPITAL
- Employees: 17,104 (Male: 85%; Female: 15%)
- Migrant workers: 31,074
- 2019 investment in training: RM3.3 mil

SOCIAL & RELATIONSHIP CAPITAL
- Commitment to completing RSPO certification and related initiatives
- 55 MSPO-certified mills (fully certified as at February 2020)
- Driving sustainability and conservation efforts
- Enhancing labour practices
- Partnering and supporting 112,635 FELDA settlers

VALUE-CREATING ACTIVITIES

PLANTATION SECTOR

UPSTREAM
- Cultivation, production and harvesting of fresh fruit bunches (FFB)
- Processing of FFB into crude palm oil (CPO) and palm kernel (PK)
- Transforming by-products into new product lines and renewable energy
- Turning around the production and processing of rubber

RESEARCH AND DEVELOPMENT
- Research & development activities
- New technologies in planting materials, fertiliser products and rat bait formulation
- Protecting our intellectual property by filing for patents

TRADING
- Sales & trading of palms, laurics and biodiesel and its products
- Product specification consultation
- Sales & purchase planning
- Freight on board and cost net freight shipment to export buyers
- Ground transport for local delivery
- Shipping documentation management

DOWNSTREAM
- Refining of CPO
- Fractionation of refined, bleached, deodorised palm oil (RBDPO)
- Crushing of PK
- Production of various oleochemicals for industrial and fast-moving consumer goods (FMCG) applications
- Processing and sales of biodiesel products
- Production of consumer bulk and packed products
- Established new animal feed business

SUGAR SECTOR
- Sugar refining
- Sales and marketing of refined sugar and molasses
- Export of value-added sugar products

LOGISTICS & OTHERS SECTOR
- Bulking and transportation facilities and services
- Making foray into providing 3PL services
- Providing services covering storage, transportation, information & communication technology and others

OUTPUTS

FINANCIAL CAPITAL
- Revenue: RM13,259 million
- Dividend from joint ventures and associates: RM44.06 million

NATURAL CAPITAL
- FFB production: 4.45 million MT
- Oil palm trees' average age: 13.8 years
- FFB yield: 18.44 MT/Ha
- Carbon footprint: 158,830 MT CO_2 eq.
- Rescued a total of 55 sun bears with 39 being successfully released

MANUFACTURED CAPITAL
- CPO production: 3.07 million MT
- Oil extraction rate (OER): 20.61%
- FFB processed: 14.90 million MT
- Oils & Fats sales volume: 362,773 MT
- Palm methyl ester (PME) sales volume: 78,668 MT
- Refined Sugar production: 1.07 million MT
- Bulking volume: 8.42 million MT
- Transport volume: 6.02 million MT
- 18.08 million seeds sold

INTELLECTUAL CAPITAL
- Awards for oil palm tree disease prevention product and oil palm DNA fingerprint service
- Developed four new products for Downstream commercialisation
- High-value multi crop cloning for integrated farming

HUMAN CAPITAL
- 15,517 training man-days
- Continued manpower and cost optimisation
- Completed 319 blocks of housing for workers throughout Malaysia

SOCIAL & RELATIONSHIP CAPITAL
- 33 RSPO-certified complexes
- 55 MSPO-certified complexes (we are fully MSPO-certified as at February 2020)
- Now 100% traceable to our mills
- Expanded the applicability of our Group Sustainability Policy to third-party suppliers
- Adopted the guidelines and procedures for responsible recruitment of foreign workers
- Improved our ratings for the ESG-related SPOTT assessment and the Green Tigers Index Ranking

TRADE-OFFS

Financial Capital is key to sustain the growth of our business as investments of this Capital are needed to ensure all other Capitals are used effectively for the smooth running and growth of our business activities.

The Group's business relies heavily on Natural Capital and the Group invests its Financial Capital to ensure the long-term sustainability of the palm oil business through the normalisation of our oil palm trees' age distribution and responsible use of our land.

The Group invests in Manufactured Capital to improve the performance of our mills and refineries, while investing in the development of new products and new business lines. This trade-off with our Intellectual Capital and Financial Capital is important to ensure the Group will be able to offset the cyclical nature of the business.

The Group invests significantly in improving the value of our Intellectual Capital. The investment is important for innovations in our Natural Capital and Manufactured Capital to improve our efficiency. This trade-off is necessary to maintain our competitive edge and deliver long-term sustainable value.

The Group continues to optimise its Human Capital and associated costs to add value to our Financial Capital. While this move may not benefit the Group's short-term reputation, it is a necessary trade-off to secure the long-term future of the business.

The Group's relationship with stakeholders is important for our business. We invest in building relationships with stakeholders through engagement with our workers, vendors, trainers, business partners and regulatory bodies. By engaging with stakeholders, we create sustainable relationships that will support our Financial Capital and Human Capital.

THE LINKS BETWEEN MATERIAL MATTERS, STRATEGY AND RISKS

STRATEGIC INTENT	MATERIAL MATTER	RISKS
BEST–IN-CLASS OPERATIONS We aim to establish a sustainable future for our stakeholders by focusing on our core businesses and utilising our key assets efficiently.	YI	1. Ageing oil palm profile affecting overall yield. 2. Shortage of migrant workers for estates. 3. Unpredictable weather conditions affecting productivity of oil palm trees. 4. Low fresh fruit bunches (FFB) supply from external suppliers due to competitive market. 5. Risk of the Land Lease Agreement (LLA) being terminated. 6. Price disparity at palm oil destination markets causing margin erosion. 7. Static domestic demand for sugar while having excess refining capacity.
STRONG FINANCIAL MANAGEMENT We endeavour to create a strong financial environment that is resilient to internal and external challenges through prudent and optimised measures to maximise stakeholder returns.	EP	1. Non-performing investments. 2. Escalating processing and operation costs. 3. CPO prices remaining volatile due to the cyclical nature of the industry and competition from Indonesia. 4. Volatility of foreign exchange movements. 5. Possible default of term loans at MSM. 6. Shortfall in cash flow for the Group's working capital.
WELL-ENTRENCHED GOVERNANCE AND ETHICS We strive to build a solid foundation for our business through good governance and ethical practices.	GE	1. Adverse reputational impact arising from perceived weakness in internal governance. 2. Potential loss arising from inadequate internal controls. 3. Lack of transparency leading to a negative perception of the Group.
STRONG SUSTAINABILITY AND SOCIAL RESPONSIBILITY ORIENTATION We work closely with our people, customers and suppliers to lead the way in maximising resources without compromising on economic, environment and social considerations.	RC HR	1. Erosion of sustainability sensitive customers' confidence in FGV. 2. Not meeting sustainability standards, resulting in adverse reputational repercussions. 3. Traceability of FFB supply. 4. Shortage of talents and capable employees. 5. Changes in regulations related to migrant workers that can significantly impact the Group.

THE LINKS BETWEEN MATERIAL MATTERS, STRATEGY AND RISKS

MITIGATION MEASURES	2019 OUTCOMES
1. Continuous replanting to achieve optimum age profile. 2. Providing a conducive living environment for workers that provides accommodation and social activities, the setting up of a migrant workers' initiation centre for training, enhancement of monetary incentives and subsidising of travel costs. 3. Flexible harvesting arrangements and expediting crop recovery during rainy/dry season. 4. Pricing FFB competitively to obtain higher FFB supply from suppliers. 5. Continuous engagement with related parties to seek assurance on tenure of LLA. 6. Market analysis provided to all traders for guidance in daily trades to focus on markets with minimum price disparity. 7. Progressively reviewing, strengthening and executing marketing strategy and sales plan as well as increasing diversification of products for export of liquid sugar and fine syrup.	1. Improved the age profile to 13.8 years. 2. Obtained approximately 85% of worker requirement. Heightened worker welfare through better provision of accommodation, especially in East Malaysia. 3. FFB volume increased by 0.3% compared to 2019 target. 4. FFB supply from external suppliers exceeded 2019 target by 1.05%. 5. Maintained regular and consistent communication between FGV and FELDA. 6. Focused sales in Pakistan and India for both cost net freight (CNF) and freight on board (FOB) market. Both markets yielded our target margin and safeguarded our profitability. 7. Identified product development prospects for Downstream business and conducted feasibility assessments. Maintained market leadership for domestic sugar market at 59%. Revised plans were put into action with expected results in 2020.
1. Continuous assessment of the performance of past investments and identifying gaps between the actual results and original targets. 2. Concerted drive towards cost containment across the Group. Budgets are closely scrutinised and monitored to ensure alignment to the original plan. 3. Constant monitoring of CPO price movement, regular review of trading strategies such as hedging and tolling and production capacity, e.g. estate cost control and maximising Downstream business model to utilise in-house CPO. 4. Ensuring futures hedging and back-to-back pricing to secure trading margin. 5. Restructuring and rescheduling of term loans, stepping up principal repayments and proposed disposal of non-core assets in MSM. 6. Monitoring the Group cash flow forecast and conducting quarterly engagements with the banking market. Participating in the monthly Group Credit Committee meeting to discuss billing notices/invoices.	1. Divestments of identified non-core and non-performing assets to improve financial position. 2. Implemented initiatives during the year to improve operational/ processing efficiency and drive down operating costs. 3. Managed to close the gap between average actual CPO price and average budgeted CPO price. 4. The Group recorded a reduction in losses, which was contributed by efficient hedging. 5. MSM's cash flow standing improved and is expected to be further improved with the potential disposal of a non-core asset and the restructuring and rescheduling of the term loan. 6. Achieved Group cash and cash equivalent targets through strengthened relationships with bankers and global market outlook and maintained existing banking facilities to support the Group's liquidity.
1. Ensuring the Group complies with the latest requirements of the Companies Act 2016, Malaysian Code on Corporate Governance 2017 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Setting up of an Independent Advisory Panel to provide guidance on matters pertaining to corporate governance and sustainability. 2. Enhancing the Group's governance by instituting comprehensive and more stringent Policies and Procedures across the Group. Inculcating the core values of P.R.I.D.E to uphold a strong governance and ethics culture through awareness and training. 3. Ensuring timely and accurate disclosure on material matters as per Bursa Malaysia requirements.	1. Certification of (Anti-Bribery Management System) ABMS ISO 37001:2016 to significantly strengthen our anti-corruption framework. An Independent Advisory Panel was duly set up and the first meeting was held in February 2020. 2. Enhanced Group corporate governance and internal controls by revising and strictly enforcing our Policies and Procedures. Continuous awareness and training conducted across the Group to heighten employees' understanding and commitment. 3. Engaged with investment community, media and bankers to ensure full transparency.
1. Undertaking initiatives and programmes to ensure compliance with sustainability standards such as, among others, the introduction of structured and systematic programmes containing detailed action plans for achieving full Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable Palm Oil (MSPO) certifications. 2. Intensifying efforts to enhance practices on sustainability as well as engaging with various stakeholders to communicate, and where relevant collaborate, with them on initiatives related to sustainability issues. 3. Identifying FFB risk elements and high-risk mills by performing mapping with the suppliers. 4. Providing attractive compensation and benefits packages, emphasising talent retention and succession planning and providing training to enhance competency. 5. Providing wages in accordance with the Minimum Wages Order (Amendment) 2018.	1. As of December 2019, 33 FGV mills have been RSPO-certified. As of 28 February 2020, FGV has been 100% MSPO-certified. 2. FGV has engaged with various stakeholders including business partners, banks, investors and government agencies to keep them abreast of FGV's efforts to address sustainability issues. FGV has also established strategic partnerships with various independent bodies such as the Fair Labor Association (FLA), the International Organization for Migration (IOM) and the Earthworm Foundation to enhance labour practices. 3. 50% of external FFB supply has been mapped and assessed for its sustainability risk. The exercise will be continued in 2020 to cover the remaining 50%. 4. Improved employee competencies through various training programmes held throughout the year and reviewed remuneration packages for employees holding critical positions. 5. Better retention of migrant workers.

OUR BUSINESS PLAN

EXECUTING OUR BUSINESS STRATEGY FOR VALUE CREATION AND SUSTAINABLE GROWTH

Malaysia is one of the very few economies with high and sustainable economic growth since 1957, the year of its independence. Malaysia has successfully diversified its agriculture and commodity-based economy to one that hosts robust manufacturing and services sectors.

However, in today's highly competitive global economy and like many other high middle-income economies, it is facing challenges that make its next leap into developed-nation status that much more difficult. There is a need for industries here to be more aggressive in shifting up the value chain of each factor of production and develop higher-value-added products.

At FGV, we have always aligned ourselves with our country's goal to become a developed economy and realise high growth. As the country's per capita income and prosperity increase further, FGV's income should rise in tandem. This cannot be achieved if we remain comfortable in our old segments that can only provide low wages to workers. We need to be in the right segments of the industries we operate in to achieve substantial growth.

We plan to develop new earnings streams from the circular economy to create value and identify adjacencies to existing revenue streams. Aware of the inevitability of further escalations in production costs as our economy continues to push into tertiary sectors, we have no choice but to become more competitive.

For this reason, FGV continues to focus on the implementation of our Business Plan 2019-2021 (BP21), which was formulated to help FGV emerge as one of the world's leading integrated and sustainable agribusiness players. We have just concluded the first year of executing BP21 and have already seen tangible results. New value-added and business opportunities have helped us to add to our bottomline. To sustain our performance, we will continue with our four strategic thrusts, namely:

1. **Operational Improvement**
2. **Products & Markets Penetration**
3. **New Growth Area**
4. **Financial & Capability Building**

To this end, the Group has formulated a Strategy Map to illustrate implementation at the Group and business levels. This Strategy Map is driven by the four strategic thrusts and supported by three key enablers.

Our Strategy Map underscores the importance of operational integration for FGV to survive and thrive. Our strength in the management of plantation operations and processing facilities will continue to be enhanced by the development and implementation of productivity and cost-optimisation initiatives.

Operating capabilities in other parts of the value chain that are closer to end-customers will be fine-tuned to speed up our response to market changes and enable higher returns for FGV's shareholders. We need to widen our product offerings to end-consumers to entrench our presence in Malaysia and penetrate various export markets. Building on adjacent businesses such as intercropping and the circular economy that leverage our by-products will also help drive revenue. In most instances, the above require minimal start-up capital.

To support our growth, we will enhance our trading and marketing capabilities, build stronger brand equity and enhance our research and product development abilities. Our existing supporting businesses will also play an important role in helping us reach our goal. As speed and efficiency in running our operations and in dealing with customers cannot be compromised, FGV continues to emphasise growth in its Logistics, Bulking and Technology businesses. This is to ensure our products and services are traceable and delivered to customers in the most timely and effective manner.

Put together, this long-term strategy will take FGV to the next level. We know where FGV needs to go and will continue to execute our initiatives until we evolve into one of the world's leading integrated and sustainable agribusiness players.

OUR BUSINESS PLAN

STRATEGY MAP

World's Leading, Integrated & Sustainable Agribusiness

- Creating value through our human capital
- The embodiment of governance and compliance
- Building an integrated value chain advantage
- Cultivating diversification in commodities & geography

PLANTATION
Premier Agribusiness Producer Focusing on Operational Excellence

UPSTREAM	DOWNSTREAM	TRADING	OTHERS
Largest Producer of Sustainable Palm Products	Maximising Palm Value Chain	Maximising Margin & Trading Position	R&D, Integrated Farming, Renewables

LOGISTICS
Total Integrated 3PL Logistics Solution & Full-Fledged ICT Player

PRODUCTS & MARKETS PENETRATION | **NEW GROWTH AREA** | **FINANCIAL & CAPABILITY BUILDING**

FINANCIAL | **SUSTAINABILITY**

POSITIONING FOR VALUE CREATION & SUSTAINABLE GROWTH

Strategic Thrusts	2020 "Sustained Performance"	2021 "Grow Effectively"	2022 "Expand Selectively"
OPERATIONAL IMPROVEMENT	Consolidate: Rationalisation, Rehabilitation, Increase Utilisation Factor, Intercropping & Monocropping		
	Strengthen: Cost Optimisation, Structured Block Recovery, Regulatory & Compliance		
	Improve: Maximise Renewables Revenue, Mechanisation, Replanting		
PRODUCTS & MARKETS PENETRATION	Serve Larger Market & Improve Product Offerings in Food, Sugar, Agri-Products, Rubber Products, Animal Feed		
	Integrated and Fast-Moving Consumer Goods (FMCG) Logistics, E-Commerce, Expand Trading Presence		
	Optimise B20 & B7 Biodiesel, Speciality Oleochemicals		
NEW GROWTH AREA	Cash Crops, Dairy & Livestock, Renewables		
	Leverage our Assets to Diversify into New Business Areas & Products Diversification		
	Synergistic Collaboration, Mergers & Acquisitions		
FINANCIAL & CAPABILITY BUILDING	Anti-Bribery Management Systems ISO 37001:2016 (ABMS), Strengthen JV Terms, Tighten Procurement, Enhance Sustainability Efforts & Certification		
	Right Sizing & Right Fitting, Build Organisational Capability, Evaluate and Reward Right and MIS		

STATEMENT FROM THE CHAIRMAN

> **THIS COMPANY TOUCHES THE LIVES OF HUNDREDS OF THOUSANDS OF PEOPLE, FROM OUR SHAREHOLDERS TO THE SMALL FARMERS WE SUPPORT; FROM OUR PARTNERS TO EACH OF THE 48,178 PEOPLE WE EMPLOY AND THEIR FAMILIES.**

Dear Shareholders,

As we prepare to send this Annual Integrated Report to print, the COVID-19 pandemic is causing devastation across the world on all economic fronts, as borders close and countries go into lockdown to protect their citizens.

DATUK WIRA AZHAR ABDUL HAMID
Chairman

On a personal level, I am deeply concerned for all of us, our families and loved ones. As Chairman of FGV, I am also worried about the financial impact this will have on FGV, all our suppliers, especially our smallholders, and our customers. The impacts of COVID-19 will be far-reaching and potentially debilitating for many. As FGV is in the business of producing food and other essential items, we will survive this storm and eventually, we will thrive. But in the near term, there will certainly be negative impacts. We are facing a weakened global economy and traditional markets with reduced purchasing power. This will affect crude palm oil (CPO) price and thus our financial performance too.

However, in every challenge we will seek opportunities. Although FGV was not in great financial shape before the pandemic took hold, we were on solid financial footing. Thus, your Board will be working hard to ensure that we mitigate the impacts of COVID-19 and take advantage of opportunities that present themselves.

THE YEAR IN REVIEW

If 2018 was the year we worked to set the governance right in FGV Holdings Berhad, 2019 was the year we devoted to the transformation of the strategy and operations, to rebuild the Group and set it back on track for success.

While we have made great strides in the journey, there is still a long way to go to institutionalise the changes we have made and to ensure that FGV Group moves forward on a stronger and more robust footing.

While your Board continues to remain 100% committed to our transformation journey, I am pleased to report that we have turned the corner and have arrested the decline.

Personally, I remain hands-on with various parts of the business, and continue to give guidance to the executive team to execute our transformation journey because I believe in FGV and I want to see it change for the better. This company touches the lives of hundreds of thousands of people, from our shareholders to the small farmers we support; from our partners to each of the 48,178 people we employ and their families. We need to press on so everybody can enjoy the fruits of our combined success.

I am very proud of the hard work and dedication my colleagues have invested to turn the company around, despite the frustration of depressed CPO prices through most of 2019 and the unearthing of more legacy issues continuing to hamper our combined efforts to produce profits.

Despite these challenges, I would like to highlight that there is a strong indication that our transformation efforts have taken root and are producing results. While we may not have achieved all our target numbers, I am also fully aware that the targets that were set were very aggressive and would have required every single variable to be in our favour.

For FY2019, I take great pride in revealing that our efforts have paid off as we recorded our first quarterly net profit in Q4 following six consecutive quarters of losses. For the full year, we posted a significantly lower net loss than FY2018, even with revenue declining by 1.5% due to lower average CPO realised prices by 11%, indicating that our business remained resilient even through such challenging times.

For further details on financial performance, please refer to Financial Capital on pages 32-45 of this report.

THE TRANSFORMATION CONTINUES

With the Transformation Plan in full swing, I would like to update you on various initiatives we have undertaken to improve our effectiveness, efficiency and productivity. In the context of palm oil, we have implemented good agricultural practices (GAP) in some of our estates, which has improved yield and efficiency. Our consistent efforts to implement mechanisation means about a third of our planted land will see faster crop evacuation. We are also fully aware that maintaining overall productivity is closely linked to the age of our oil palm trees, and thus, replanting has continued, albeit at a slightly slower pace in 2019 due to the downturn in CPO prices.

STATEMENT FROM THE CHAIRMAN

To further enhance our efforts, the Group's Research and Development (R&D) Division devises new innovations for planting materials and works hand-in-hand with the business units to create new products that cater to the market. In addition to these initiatives, the Group continues to optimise the cost of our human capital. This has included reviewing our benefits and perks as well as reducing total manpower numbers.

While the rightsizing continues, we must also look closely at how our work culture is evolving. Personally, I can sense that while there is some improvement, we need to move much faster to achieve a high-performing culture. We also need to make business decisions faster, and before that, be very clear in our mind that the decision is a correct one that will be followed through, in order to unlock maximum value.

Procurement savings have also been obtained through improved processes and negotiation strategies, and were designed to ensure the sustainability of our recovery. To bolster these efforts, I am also proud to share that FGV is the first plantation organisation to carry out such a comprehensive implementation of the Anti-Bribery Management System (ABMS). This has been acknowledged via the internationally recognised ISO 37001:2016 certification.

SUSTAINABILITY

The Group remains wholly committed to the sustainability agenda. We consistently communicate significant initiatives and developments, especially with regard to the Roundtable on Sustainable Palm Oil (RSPO) certification process. Again, we acknowledge that there are gaps, but there is nothing we cannot fix with determination and a clear idea of the best way of running our operations.

To my mind, there is no substitute for sustainable development; it is the only way to move forward. What we need to be clear about is that sustainability is a commitment that cannot be taken lightly. While poor corporate behaviour can impact our bottom line, more importantly, it can also impact our stakeholders negatively. This is something we must get right at every level of our operations.

Your Board remains deeply committed to embedding the best values within FGV. We are fully committed to respecting human rights including that of our migrant workers and have in fact already taken significant steps. These include:

- Revising, updating and strengthening the Group Sustainability Policy;
- Ensuring that employment contracts and communication packs for migrant workers are explained, translated and understandable;
- Implementing a new Supplier Code of Conduct that requires all of our suppliers and contractors to commit to FGV's principles and standards;
- Implementing new Guidelines and Procedures for Responsible Recruitment of Foreign Workers; and
- Revising the contracts with recruitment agencies to include clear provisions to protect workers, and to ensure that no fees are charged to migrant workers throughout the recruitment process.

FGV also pays close attention to its Federal Land Development Authority (FELDA) smallholders, from whom we obtain two-thirds of our fresh fruit bunches (FFB). Our relationship with them is symbiotic and thus, apart from sustaining their livelihoods, we are also playing our part to add value to their businesses by helping to ensure they are Malaysian Sustainable Palm Oil (MSPO)-certified.

FGV has established an Independent Advisory Panel (IAP) and its function will be to provide independent advice and recommendations to FGV on matters pertaining to corporate governance and sustainability. The IAP comprises five experts in related fields, whose advisory role will complement FGV's existing and ongoing efforts to champion sustainability.

BUILDING FOR THE FUTURE

FGV's future is clearly predicated on one major factor – our ability to maximise the potential and value of our landbank. This is due to the fact that out of FGV's total landbank of 439,230 Ha, around 351,000 Ha is leased from FELDA under a Land Lease Agreement (LLA), which costs us an additional RM248 million a year and 15% of plantation profit sharing. Thus, to remain competitive, FGV needs to be far more productive and competitive compared to our peers.

In that context, we will be implementing strategies that are meant to reposition FGV as a major player in the agriculture and food industries. Rest assured that palm oil will remain a mainstay of the business, but we must look to sectors that we can quickly and easily move into, to help mitigate the effect of the cyclical nature of crude palm oil prices and offset our leasing bill. In this regard, the Group has already started earning some revenue from new income streams in the circular economy and in renewable energy.

We are also paying close attention to potential adjacent businesses, leveraging on land that is not suitable for oil palm as well as areas that have not produced any fruit for the first three years following replanting. By planting cash crops that enjoy high demand locally and regionally, this creates an extra revenue stream for the Group.

Ultimately, we will continue improving our operations, upskilling our staff, enhancing governance and practising sustainability. Our value-creation story is a long-term one, and it is my hope that we will achieve all that we have set out to do.

While the road ahead will be tougher than anyone of us expected, I believe FGV has shown its resilience and will get through these difficulties.

ACKNOWLEDGEMENTS

Allow me to take this opportunity to extend my appreciation to my colleagues on the Board of Directors for their dedication to the cause we all share. They have discharged their duties admirably.

I would also like to thank the Management and employees of FGV, who have persevered and proven their commitment to effecting positive change.

I would also like to record my gratitude to all our stakeholders, who continued to support FGV throughout the year. We are confident that the strength of our relationships and the current efforts to transform the Group will bear fruit for all of us.

MESSAGE FROM THE GROUP CHIEF EXECUTIVE OFFICER

> **WE HAVE PUT IN PLACE THE RIGHT FOUNDATIONS FOR FUTURE GROWTH AND WE ARE DEEPLY COMMITTED TO PRODUCING LONG-TERM SUSTAINABLE VALUE FOR OUR STAKEHOLDERS.**

Dear Shareholders,
FGV Holdings Berhad has made significant progress in turning around the operational performance of our core palm oil business as we continue to advance towards a brighter future for the Group.

DATO' HARIS FADZILAH HASSAN
Group Chief Executive Officer

We have put in place the right foundations for future growth and we are deeply committed to producing long-term sustainable value for our stakeholders. There have been marked improvements in efficiency and productivity, driven by a greater sense of purpose and urgency, to quickly move past the legacy issues that have held us back.

In terms of our financial performance for the year, we posted a net loss of RM246 million, compared to a net loss of RM1,081 million in FY2018. Revenue fell 1.5% in FY2019 from FY2018 due to lower average CPO realised prices by 11%, but this was mitigated by our outstanding performance in reducing CPO ex-mill costs to RM1,503 per MT compared to RM1,800 per MT in FY2018.

Although our financial results in 2019 do not directly reflect the efforts of our dedicated employees to turn the operations around, I can assure you that the Group is now in a better position than it has ever been in the past several years. We have put in place the right foundations for future growth and we are deeply committed to producing long-term sustainable value for our stakeholders.

KEY HIGHLIGHTS

Financial Performance	**RM13,259 million** Revenue	**RM297 million** Operating Profit Before Impairment & Fair Value Changes in Land Lease Agreement (LLA) Liability	**RM339 million** Loss Before Zakat and Taxation
Improving Our Operations	Normalised Oil Palm Age Profile	Established 2 Model Estates & 2 Model Mills	Anti-Bribery Management Systems ISO 37001:2016 (ABMS)
Focus on Sustainability	FGV's palm oil is now 100% traceable to our mills	Significant improvements in internationally recognised ESG assessments such as the SPOTT assessment and Green Tigers Index	55 of our 68 mills are now Malaysian Sustainable Palm Oil-certified. In February 2020, we attained 100% MSPO certification

PROGRESS AGAINST THE BP21 STRATEGY

FGV's Business Plan 2019-2021 (BP21) was formulated with one overall goal in mind — to stop the decline and drive sustainable growth throughout the Group. The plan is guided by key principles that centre around:

- Better resource utilisation to generate higher returns.
- Portfolio enhancements to balance structural inefficiencies.
- Value maximisation through an integrated business value chain.
- Commercially driven and accountable business decision making.
- Optimising human capital potential in driving growth.

The BP21 has also made it a point to embed ethical, sustainable and responsible behaviour into every facet of the business, in order to create long term value, with respect to our stakeholders, the environment, our resources and governance. Four main strategic thrusts were developed to drive this plan to create meaningful outcomes across our core businesses and support functions. As 2019 was its first year of implementation, I would like to spend some time discussing the overall performance and initiatives taken under BP21 in each sector of our business.

Plantation Sector

The Plantation Sector reported a lower loss of RM8.85 million for FY2019 compared to RM988.54 million in FY2018. The losses incurred in 2018 was mainly due to the recognition of impairment losses amounting to RM921 million. In FY2019, the Sector took a smaller impairment of RM27 million.

Upstream

Within the Upstream business of the Plantation Sector, the Group focused on improvements across all our operations to maximise productivity, enhance quality and lower costs. We accomplished a number of significant milestones in 2019, recording one of our highest FFB yield, FFB production and oil extraction rate (OER) performances. FFB production rose by 5.6% to 4.45 million MT compared to 4.21 million MT with a yield of 18.44 MT per hectare. OER achieved was higher at 20.61% from 20.49% registered in the previous year.

This was possible due to good agricultural practices (GAP), better crop recovery and better FFB quality. The implementation of site-specific GAP in 30 estates across the Group's estate holdings boosted yield and we are looking to expand these practices depending on the results of two pilot projects.

The first project will test the effectiveness of utilising our own manpower for replanting instead of outsourcing, while the other project will utilise Space Applications For Environment (SAFE) technology to implement the highest and most precise replanting standards using satellite technology.

We also introduced two Model Estates and two Model Mills that demonstrated the ability to lower average costs compared to other mills and estates, through the implementation of best and lean practices. FGV will move forward in 2020 to implement more Model Estates and Mills in step with the Group's financial capacity to fund these improvements. We will also undertake selective rationalisation of our mills to increase overall utilisation.

To average down our palm tree age profile, we have replanted a total of 8,251 Ha of oil palm, and to boost productivity, we mechanised an additional 18,500 Ha, bringing the total mechanised area to 115,000 Ha. In addition, FGV's R&D Division continues to contribute substantial value to the Group with its award-winning planting material, the Yangambi seed, commanding almost 44% of Malaysia's seed market.

Downstream

FGV continued to introduce new products to the market and found ways to add value to existing products to penetrate new markets in the Downstream segment. In 2019, we introduced Premium Quality (PQ) crude palm oil that was further refined for downstream use. It has shown good commercial potential as it is able to command a higher price, and we plan to increase production going forward.

We continue to lead in the non-subsidised range of cooking oils with our flagship cooking oil brand, SAJI, with a market share of 34%. Our ADELA products, made in partnership with the R&D Division, have also made significant inroads into their respective markets. Going forward, we will continue to pay close attention to growing our main fast-moving consumer goods (FMCG) brands of SAJI, ADELA and SERI PELANGI.

The Group has also recorded a significant increase in the sales volume of palm methyl ester (PME), due to the implementation of the B10 biodiesel mandate for the transport sector in February 2019. The biodiesel journey with the Malaysian Palm Oil Board (MPOB) will continue as we have embarked on a new trial for B20 biodiesel.

Research and Development

Through this division, new products such as animal fat replacer, dairy fat replacer, palm kernel protein and calcium soap are now in the process of commercialisation. FGV's R&D Division will continue with its stellar efforts to help create new products for our various markets.

Rubber

In other areas, our Kilang Palong 8 rubber processing plant achieved a plant utilisation factor of 85% and this was the highest production in 10 years for the plant.

Integrated Farming

FGV continues to identify new and synergistic areas of growth to drive our long-term performance and we have already started earning revenue from new income streams in the circular economy and renewable energy. FGV is now using palm kernel expeller (PKE) to produce animal feed for beef and dairy cattle. This initiative has shown great potential and is a clear example of the circular economy at work. We have also identified ways to efficiently use our landbank and have started exploring intercropping as well as using land that is not suitable for oil palm for other crops.

With our recent foray into animal feed, we are now realising potential from by-products that we used to ignore. After producing 21,653 MT of animal feed in 2019, our target for 2020 will be to produce a higher amount based on the projected demand, to further increase the revenue. In terms of Renewable Energy, as we have the most biogas plants for a single plantation company, we already produce revenue of over RM100 million by unlocking the value of the waste that we produce at no extra cost.

Sugar Sector

The Sugar Sector registered a loss of RM316.13 million in FY2019 compared to RM58.71 million profit in the previous financial year mainly due to the high cost of the new refinery in Johor, low utilisation due to the additional capacity provided by the Johor refinery, impairments on certain assets, depressed sugar prices and an increase in gas tariffs.

In 2019, we started to export valued-added sugar products such as sugar syrup and premixed sugar to the Asian market, and plan to install a biomass boiler to reduce our energy bills.

Logistics Division

The Logistics Division recorded higher profit of RM87.49 million in FY2019 compared to RM73.14 million in FY2018 due to higher throughput and tonnage.

In 2019, the Logistics Division begun its journey to becoming a total logistics solutions provider in Malaysia and also made its first foray into the handling of basic chemicals.

Others Division

The Others Division recorded losses of RM57.28 million in FY2019 compared to a RM5.51 million loss in FY2018 due to impairments and provisions for a separation scheme following the proposed closure of two entities.

Initiatives for Greater Efficiency

The Group has adopted initiatives to improve our financial position and human capital capabilities to drive future growth, including stricter management of our finances and right-sizing our workforce. We realised procurement savings and disposed of non-core and non-performing businesses.

We have also received the internationally recognised ISO 37001:2016 certification for our Anti-Bribery Management System (ABMS), which has been rolled out across the Group. In 2019, Group Human Capital optimised employee benefit policies from a cost perspective given the business challenges faced by FGV. As at the end of 2019, we have achieved 7.1% savings in manpower costs and a reduction of manpower numbers from 18,742 to 17,104, while improving productivity. The training of our employees did not stop however, as we believe in capability building for future growth. We invested a total of RM3.3 million on various programmes, with an estimated 15,517 training man-days.

We also introduced a brand new Young Shapers Programme (YSP) to develop and drive a group of potential young talents, aged 35 and below, as enablers to boost FGV's transformation plans and create a culture of performance excellence. A total of 36 candidates completed the programme in 2019. Moving into 2020, the Group will introduce a new performance management framework that is designed to develop a high performance culture. The YSP programme will also be carried out again in 2020.

OVERCOMING THE CHALLENGES

Accomplishing all that we did in 2019 was a feat, especially remarkable considering the external operating environment. With CPO prices depressed for most of 2019 and a drought in the first half of the year, we decided to take a slightly more conservative stance, and as a result, we did not aggressively implement our budgeted replanting programme. Similarly, we delayed the application of fertiliser though we ensured that there would be no material impact on future productivity.

However, we were able to deliver strong production numbers due to a number of factors that included a higher proportion of mature and prime trees compared to old trees that were more resilient against lower rainfall, being declared as matured and a more stable labour supply.

The moderating economy, trade uncertainty and dampened consumer and business sentiment also contributed another set of challenging factors. In 2019, the palm oil industry experienced a second consecutive year of lower prices with the average price of palm oil down 7.2% year-on-year to RM2,077.50 per MT. This was largely due to historical highs of palm oil stock of 3.2 million MT at the start of the year. Nevertheless, we delivered significant operational improvements as the team remained steadfastly focused on their goals and targets, consistently and tenaciously implementing change to improving efficiency, while innovating to create products that continue to meet market needs.

I want to commend the thousands of FGV employees who enabled this shift in attitude, that resulted in improved performance through their hard work and dedication. I realise that most of our employees are starting to embrace the culture change that the Board of Directors and Management have been driving day in and day out. This is a positive sign for the Group. As we continue to be energised by our charge towards a high-performance culture that incorporates accountability and integrity, I am confident FGV will overcome the challenges that lie ahead.

LIVING AND BREATHING SUSTAINABILITY

Sustainability for FGV is not new. We have implemented numerous initiatives that underscore our commitment to sustainability and to ensuring it is embedded in everything that we do. From a broad perspective, this involves respecting human rights, environmental stewardship and providing that all important link between our smallholders and the international markets.

In the context of producing sustainable palm oil, the Group now has almost half of its 68 complexes certified by the Roundtable on Sustainable Palm Oil (RSPO). As for the Malaysian Sustainable

Palm Oil (MSPO) certification, we are now fully certified as at 28 February 2020. In 2019, FGV invested significant time and resources in assisting independent smallholders (ISHs) to obtain MSPO certification in collaboration with the Malaysian Palm Oil Board. The main objective of assisting the ISHs was not only to ensure MSPO certification but also to obtain 100% traceability to ISH plantations that supply to FGV.

In this respect, efforts to improve traceability across the supply chain remains one of our key focus areas, and in 2019 we achieved 100% traceability of our palm oil to our mills. FGV has also made significant progress across the board based on our strong scores from internationally recognised assessments such as the Sustainability Policy Transparency Toolkit (SPOTT) assessment and the Green Tiger Index rating that were conducted in 2019.

Moreover, the Group has recently revised its Group Sustainability Policy, which extends the coverage of this policy to our vendors and third-party suppliers, a significant move that extends FGV's human rights and sustainability commitments along our supply chain. In addition to this, the Group, with the support of the Procter & Gamble Chemicals (PGC), is now a Participating Company of the Fair Labor Association (FLA). This affiliation with the FLA will help FGV to identify, address and resolve gaps in our labour practices, as well as in our supply chain.

In terms of environmental stewardship, FGV's Sun Bear Conservation Programme continues to be a mainstay with 55 bears rescued. We have also maintained our support of the Mega Biodiversity Corridor Conservation project in Sabah and the Rafflesia Conservation and Interpretive Centre in Perak.

OUTLOOK AND PROSPECTS

The outlook for the industry remains uncertain given the severe impact of the COVID-19 outbreak which has brought the world economy to a temporary halt. While the full impact of the outbreak has yet to be determined, FGV will be affected mainly because of the effects of the Restriction of Movement Order (RMO) imposed by the Malaysian authorities on March 18, 2020 which has curtailed our workforce strength, shuttered businesses and limited movement of consumers. In terms of our crops, we are projecting a significant shortfall in production in 2020. For our Downstream business, we are expecting a reduction in processing volume especially for the export and bulk product segments.

FGV will do its best to mitigate these challenges and will be reviewing our strategies to reduce the impact on our business operations. In addition, as a caring and responsible company, FGV continues to support our large workforce, both migrant and local. Within days of the RMO, we provided basic necessities such as rice, sugar, cooking oil, flour, coffee and eggs to our workers in our plantations, while our refinery workers were provided their daily meals so that they would not have to go out to obtain food. We are also extending financial aid to employees who require help during this time, and we have also launched a fund to help those in the B40 category, especially those who have lost their jobs or were dependent on daily wages.

ACKNOWLEDGEMENTS

I would like to take this opportunity to record my gratitude to the Board of Directors for their stewardship which led the Group through its recent period.

I also extend my appreciation to all our employees for their diligence and steadfastness in carrying out their duties for our organisation. They play a crucial role in helping to realise our Transformation Plan and I look forward to serving alongside them as we embark on our new chapter.

My thanks also go to our shareholders and FELDA communities for their continued support. Rest assured, these stakeholders represent our utmost priority due to our shared history and common goal towards value creation.

Finally, I would like to express my appreciation to all our other stakeholders, including our regulators, members of the media, suppliers and partners locally and abroad, for their cooperation. We look forward to our continued collaboration as we drive FGV into its next phase of growth.

HIGHLIGHTS

Alignment with the Bursa Securities Listing Requirements, the Management Discussion and Analysis (MD&A) focuses on the disclosure of nonfinancial information such as Group business, operations and performance.

We have structured this year's MD&A based on the information required to be disclosed which includes:

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Manufactured Capital
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MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL CAPITAL

OVERVIEW

The Group's Financial Capital is closely linked to all other Capitals, providing the ability for the other Capitals to grow, which is intended to also add value to Financial Capital over time. FGV takes a prudent approach to the use of its Financial Capital, ensuring that the Group's business operations can be sustained over the long term. In 2019, we continued to optimise our assets and liabilities, while enhancing capital efficiency through our transformation programme that focused on operational excellence.

We align our **Financial Capital** with:

SDG:

Strategic Thrust:

Material Matter:

EP

KEY FINANCIAL DRIVERS

Cost Optimisation

- The Group has taken decisive steps to reduce costs wherever possible. In 2019, we optimised employee benefits and undertook a retrenchment exercise. The benefits of these initiatives to the Group's finances will only be seen in 2020.
- In addition to this, the Group has been addressing its procurement spend and has instituted a key performance indicator for the whole organisation that is centred around cost management.

Balance Sheet Management

- The Group continues to manage its balance sheet strategically and prudently. Capital expenditure remains at prudent levels and Management regularly monitors receivables to ensure our working capital is effectively managed and utilised.
- The Group's centralised treasury management constantly tracks cash flow movement.
- In addition, the Group continues to undertake divestments of its non-core and non-performing businesses. In 2019, the Group divested FGV China Oils Ltd., a subsidiary, for RM97 million and Paragon Yield Sdn. Bhd. for RM29 million.

Transformation Programme

- Our transformation programme is mainly centred around operational excellence, and in this context, the Group delivered good results in 2019. Higher production volumes from our estates in terms of FFB and mills in terms of OER, coupled with operational efficiencies, led to CPO ex-mill cost dropping by 17% to RM1,503 per MT.

REVENUE

RM13,259 Million

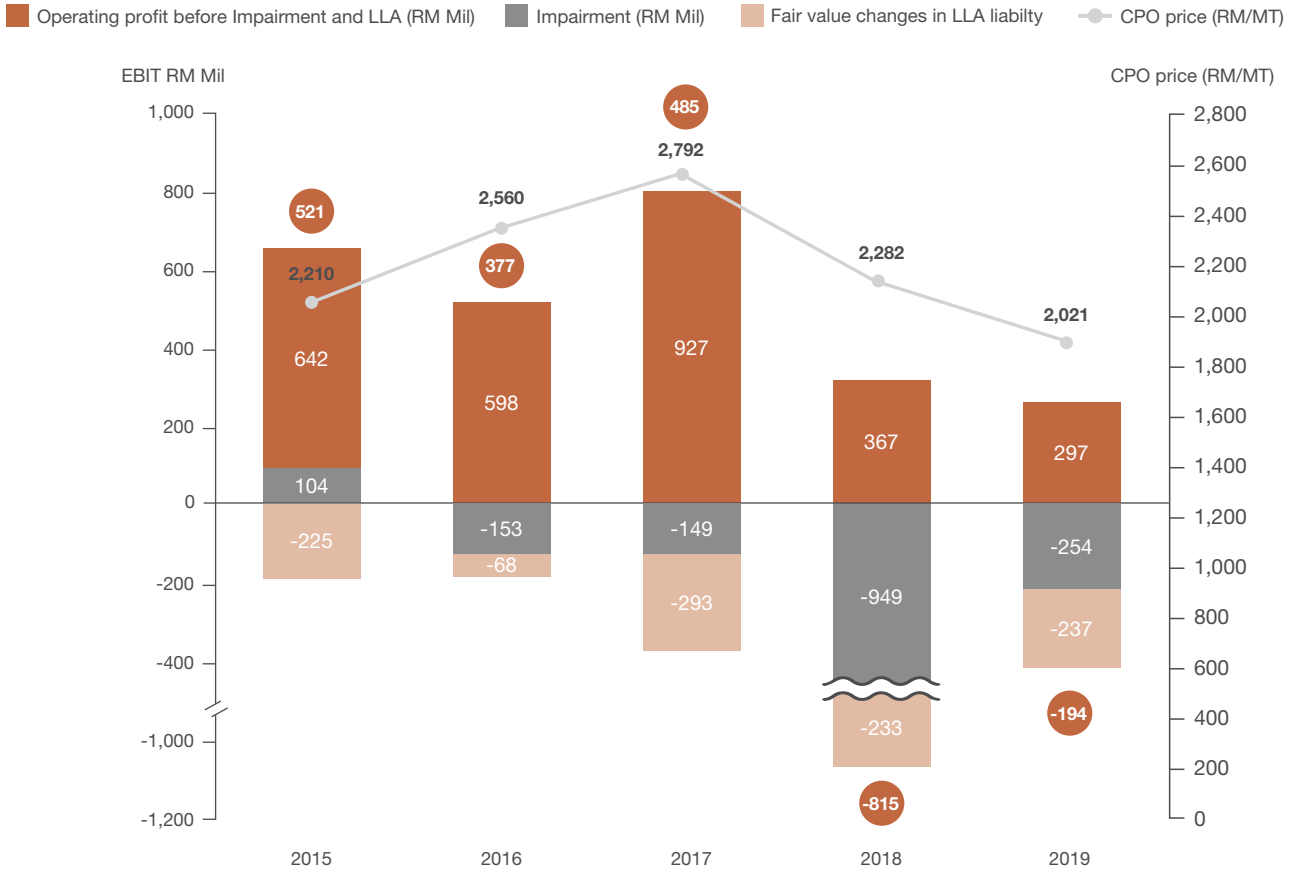
OPERATING PROFIT BEFORE IMPAIRMENT & FAIR VALUE CHANGES IN LLA LIABILITY

RM297 Million

LOSS BEFORE ZAKAT AND TAXATION

RM339 Million

EBIT VS CPO PRICE



Operating profit before impairment and LLA moved in line with the average CPO price realised except in the year 2016 where lower operating profit was recorded despite higher average CPO realised compared to 2015. FFB production dropped 16% against 2015 hence led to higher CPO cost ex-mill per MT. In addition, lower profit was contributed by Sugar Sector in 2016 due to higher raw sugar cost and weaker Ringgit.

Information on LLA payments can be found on our website at www.fgvholdings.com

FINANCIAL PERFORMANCE

The Group recorded revenue of RM13,259 million in 2019, down slightly by 1.5% from RM13,464 million in the previous year. The lower revenue was due to the average CPO price realised for 2019 being lower by 11% at RM2,021 per MT compared to RM2,282 per MT in 2018 despite higher volume sold. The Sugar Sector also recorded lower average selling price by 6%.

The Group recorded lower loss before zakat and taxation (LBZT) of RM339 million for 2019 compared to LBZT of RM1,025 million in 2018 largely attributed to:

- Higher palm products margin due to lower CPO cost ex-mill at RM1,503 per MT compared to RM1,800 per MT, aided by higher FFB production.
- Lower total impairment recognised during the year of RM254 million compared to RM949 million in 2018 that also significantly contributed to the lower loss.
- Lower finance cost due to higher borrowing cost capitalisation of RM54 million (2018: RM31 million) subsequent to clarification on MFRS 123 Borrowing Cost in 2019. This was, however, offset by a loan modification cost of RM26 million in relation to the restructuring of loans in its subsidiary, MSM Group.
- Improved share of results from joint ventures and associate companies.

ASSET MONETISATION

FGV is concerned about its capital being deployed effectively and efficiently. Thus, the Group will sell non-core businesses that are utilising resources but not giving reasonable returns that investors would expect.

In 2019, FGV disposed of FGV China Oils Ltd. for a gain of RM219,000 and disposed of shares in its associate, Paragon Yield Sdn. Bhd., for a loss of RM1.41 million.

DISPOSAL OF SUBSIDIARY

Proceeds	Gain
RM97 Million	**RM0.22 Million**
2018: Nil	2018: Nil

DISPOSAL OF ASSOCIATE

Proceeds	(Loss)
RM29 Million	**(RM1.41) Million**
2018: RM145 Million	2018: (RM18.49) Million

IMPAIRMENTS

Impairments have been carried out to strengthen our financial position over the longer term. Such assets have caused losses to the Group, and do not look viable going forward.

Impairments of RM147 million were recorded due to asset rationalisation exercises in view of excess production capacity in our Sugar business and of RM21 million in a biogas plant that was operating below its capacity. Other than that, the Group provided a net impairment amounting to RM86 million, mainly on its outstanding receivables from joint ventures.

STATEMENT OF PROFIT OR LOSS

In RM'000	Group		
	2019	2018 (Restated)	YoY
Revenue	**13,259,012**	13,464,480	-1.5%
Cost of sales	**(12,049,310)**	(12,097,034)	0.4%
Gross profit	**1,209,702**	1,367,446	-11.5%
Other operating income	**100,391**	121,472	-17.4%
Selling and distribution costs	**(149,908)**	(161,336)	7.1%
Administrative expenses	**(861,554)**	(928,211)	7.2%
Other operating expenses	**(3,558)**	(38,751)	90.8%
Other gains - net	**2,322**	6,143	-62.2%
Operating profit before impairment and fair value changes in land lease agreement (LLA) liability	**297,395**	366,763	-18.9%
Impairment of financial assets (net)	**(86,300)**	(153,160)	43.7%
Impairment of non-financial assets (net)	**(168,262)**	(795,673)	78.9%
Fair value changes in LLA liability	**(236,821)**	(233,379)	-1.5%
Operating loss	**(193,988)**	(815,449)	76.2%
Finance income	**25,085**	33,969	-26.2%
Finance costs	**(183,158)**	(202,442)	9.5%
Share of results from associates	**(1,625)**	(11,721)	86.1%
Share of results from joint ventures	**14,858**	(29,324)	>100%
Loss before zakat and taxation	**(338,828)**	(1,024,967)	66.9%
Zakat	**(6,397)**	(18,603)	65.6%
Taxation	**(25,931)**	(100,034)	74.1%
Loss for the financial year	**(371,156)**	(1,143,604)	67.5%
Loss attributable to:			
- **Owners of the Company**	**(246,174)**	(1,080,923)	77.2%
- Non-controlling interests	**(124,982)**	(62,681)	-99.4%
	(371,156)	(1,143,604)	67.5%

SEGMENT ANALYSIS

In RM'000	Revenue 2019	2018	YoY
Plantation Sector	**10,861,832**	10,737,522	1%
Sugar Sector	**2,007,011**	2,201,856	-9%
Logistics Division	**198,054**	203,218	-3%
Others Division	**155,755**	267,794	-42%

In RM'000	P/(L)BZT 2019	2018	YoY
Plantation Sector	**(8,847)**	(988,535)	99%
Sugar Sector	**(316,129)**	58,710	<100%
Logistics Division	**87,492**	73,143	20%
Others Division	**(57,281)**	(5,507)	<100%

Plantation Sector

The Plantation Sector reported a lower loss of RM8.85 million for the financial year ended 31 December 2019 compared to RM988.53 million reported in the previous year. The huge losses incurred in the previous year were mainly attributable to the recognition of impairment losses amounting to RM921 million.

In 2019, the sector took an impairment of RM27 million. Without impairments, the sector reported a profit of RM18.15 million in 2019 compared to RM67.53 million in losses in 2018, resulting from improved CPO margin due to lower CPO cost ex-mill and improvements in the Downstream Division on the back of higher margin and sales volume registered in kernel crushing as well as the Rubber Division. In addition, a better share of results from our joint ventures in 2019 helped to improve the sector's performance.

Operationally, FFB production rose by 5.6% to 4.45 million MT compared to 4.21 million MT with a yield of 18.44 MT per hectare. OER achieved was higher at 20.61% from 20.49% registered in the previous year. The sector's results were impacted by the lower average CPO price realised of RM2,021 per MT against RM2,282 per MT in the previous year.

Sugar Sector

The Sugar Sector registered a loss of RM316.13 million in 2019 compared to RM58.71 million profit in the previous financial year, mainly attributable to lower margins due to excess stocks of refined sugar in the domestic market. This was a result of issuance of approved permits (AP) for sugar imports leading to increased competition and subsequently, lowered average selling prices. Thin margins were also recorded in the export market as the industry recorded a global surplus.

The sector incurred high raw sugar cost due to previously signed raw sugar contracts based on higher prices. Operational cost increased due to high interest on borrowings that were utilised for the construction of the Johor refinery and higher depreciation once commercialisation commenced. The refinery's utilisation rate was also low, in line with the reduction in production volume for the year due to excess supply in the market and lower exports.

In addition, the sector incurred provisions of RM147 million on its assets as part of our business strategy to enhance operational excellence.

For more information on Sugar Sector performance, please refer to MSM Malaysia Holdings Berhad's Annual Report available on its website at www.msmsugar.com

Logistics Division

The Logistics Division recorded a higher profit of RM87.49 million in 2019 compared to RM73.14 million in 2018 due to higher throughput and tonnage carried in the current financial year.

Others Division

The Others Division recorded losses of RM57.28 million in 2019 compared to a RM5.51 million loss in 2018 due to net impairment of receivables of RM8 million and property, plant and equipment of RM21 million. This was compounded by the provision for separation scheme valued at RM20 million following the proposed closure of two entities. The proposed closure is in line with the Group's initiative to focus on its core business.

GROUP FINANCIAL POSITION

Total Assets

Total assets reduced by 7% from RM18,992 million to RM17,702 million, attributed to:

- A decrease in property, plant and equipment mainly due to an impairment of RM160 million relating to the rationalisation plan of a sugar refinery and a biogas plant which was operating below its capacity.
- A disposal of investments in an associate, Paragon Yield Sdn. Bhd., with a carrying value of RM30 million.
- Impairment of amount due from/loan due from joint ventures of RM137 million and a repayment of a loan of RM22 million from another joint venture company.
- The decrease was partially offset by the increase in deposits, cash and bank balances due to the reduction in inventory holding cost, proceeds from the disposal of FGV China Oils Ltd. and Paragon Yield Sdn. Bhd. of RM126 million and better tax recoverability.

Total Liabilities

Total liabilities reduced by 6% from RM12,388 million to RM11,601 million:

- Mainly due to decrease in borrowings, reduction in loan due to a significant shareholder and lower payables.

Total Equity

Total Equity reduced by 8% from RM6,604 million to RM6,100 million:

- Loss recorded during the year and dividends paid to non-controlling interests of subsidiaries led to lower total equity.

STATEMENT OF FINANCIAL POSITION

In RM'000	Group 31.12.2019	31.12.2018 (Restated)	1.1.2018 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	**8,190,118**	8,501,173	8,391,626
Right-of-use assets	**2,213,761**	2,365,422	2,381,293
Investment properties	**106,049**	118,370	118,169
Intangible assets	**969,754**	996,021	1,536,568
Interests in associates	**39,757**	101,082	275,478
Interests in joint ventures	**437,064**	488,175	585,773
Receivables	**86,736**	76,211	88,057
Amount due from a significant shareholder	**52,276**	134,982	-
Amounts due from joint ventures	**1,017**	62,929	26,941
Amounts due from other related companies	**12,218**	126,334	-
Deferred tax assets	**651,301**	608,045	742,706
Derivative financial assets	**-**	561	717
Financial assets at fair value through other comprehensive income	**107,434**	86,224	91,302
Financial assets at fair value through profit or loss	**-**	-	66,575
Loans due from joint ventures	**-**	70,201	71,431
	12,867,485	13,735,730	14,376,636
Current assets			
Inventories	**1,313,037**	2,063,235	2,132,303
Biological assets	**45,766**	42,446	54,338
Receivables	**1,213,217**	1,235,861	1,364,216
Contract assets	**28,417**	33,733	13,091
Amount due from a significant shareholder	**70,375**	27,610	218,757
Amounts due from joint ventures	**148,011**	326,389	472,938
Amounts due from other related companies	**76,618**	50,206	122,209
Tax recoverable	**51,264**	202,006	203,309
Financial assets at fair value through profit or loss	**58,940**	46,055	55,730
Derivative financial assets	**18,388**	3,706	6,875
Deposits, cash and bank balances	**1,617,622**	1,220,351	1,740,658
	4,641,655	5,251,598	6,384,424
Assets held for sale	**192,499**	4,829	72,239
	4,834,154	5,256,427	6,456,663
Total Assets	**17,701,639**	18,992,157	20,833,299

In RM'000	Group 31.12.2019	31.12.2018 (Restated)	1.1.2018 (Restated)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**7,029,889**	7,029,889	7,029,889
Treasury shares	**(302)**	(705)	(1,484)
Foreign exchange reserve	**52,218**	103,551	119,077
Reorganisation reserve	**(3,089,497)**	(3,089,497)	(3,089,497)
Other reserves	**(20,682)**	(31,003)	(12,029)
Retained earnings	**201,575**	452,918	1,531,137
Equity attributable to owners of the Company	**4,173,201**	4,465,153	5,577,093
Non-controlling interests	**1,927,099**	2,138,628	2,253,750
Total equity	**6,100,300**	6,603,781	7,830,843
Non-current liabilities			
Borrowings	**766,054**	991,506	733,234
Lease liabilities	**258,957**	251,332	228,405
Loans due to a significant shareholder	**883,176**	1,074,045	1,222,765
Land lease agreement ("LLA") liability	**4,063,332**	4,079,836	4,067,794
Derivative financial liabilities	**5,166**	-	-
Provision for asset retirement	**32,124**	31,810	32,725
Provision for defined benefit plan	**87,801**	82,961	87,768
Deferred tax liabilities	**671,954**	735,370	812,363
Payables	**12,000**	-	-
	6,780,564	7,246,860	7,185,054
Current liabilities			
Payables	**906,970**	1,227,785	1,178,883
Contract liabilities	**77,623**	41,209	58,714
Loans due to a significant shareholder	**3,322**	85,058	164,551
Amount due to a significant shareholder	**216,558**	187,582	483,166
Amount due to an associate	**485**	210	37

In RM'000	Group 31.12.2019	31.12.2018 (Restated)	1.1.2018 (Restated)
Amounts due to joint ventures	-	249	-
Amounts due to other related companies	**1,604**	2,559	128,641
Derivative financial liabilities	**29,266**	7,545	1,039
Borrowings	**3,254,504**	3,252,605	3,376,922
Lease liabilities	**41,838**	42,748	40,284
Provision for asset retirement	**655**	662	648
Provision for litigation loss	-	35,541	32,841
Current tax liabilities	**34,520**	8,606	3,712
LLA liability	**252,814**	248,172	325,486
	4,820,159	5,140,531	5,794,924
Liabilities related to assets held for sale	**616**	985	22,478
	4,820,775	5,141,516	5,817,402
Total liabilities	**11,601,339**	12,388,376	13,002,456
Total equity and liabilities	**17,701,639**	18,992,157	20,833,299

KEY FINANCIAL RATIOS

	Note	UOM	2019	2018 (Restated)	YoY	
Total Assets		RM million	17,702	18,992	-7%	▼
Total Liabilities		RM million	11,601	12,388	-6%	▼
Deposits, cash and bank balances		RM million	1,618	1,220	33%	▲
Net Assets (NA) per Share		RM	1.14	1.22	-7%	▼
Total Equity		RM million	6,100	6,604	-8%	▼
Earning per Share (EPS)		sen	(6.7)	(29.6)	77%	▲
Return on Shareholders' Fund (ROSF)		%	(5.90)	(24.21)	76%	▲
Total Borrowings		RM million	4,907	5,403	-9%	▼
Total Borrowings and LLA		RM million	9,223	9,731	-5%	▼
Liquidity Ratio	(i)	times	1.00	1.02	-2%	▼
Gearing Ratio*	(ii)	times	1.51	1.47	3%	▲
Gearing Ratio (excluding LLA)		times	0.80	0.82	-2%	▼

**Gearing ratio equals to Borrowings, Loan due to a significant shareholder and LLA liability (in Current Liabilities and Non-Current Liabilities) divided by Total Equity.*

(i) Reduction in Liquidity Ratio due to repayment of long-term loan.
(ii) Despite the reduction in total borrowings and LLA by 5%, the gearing ratio increased by 3% due to a decrease in total equity as a result of loss incurred during the year.

GROUP CASH FLOW

The Group's total cash balance as at 31 December 2019 increased by 33% to RM1,618 million compared to RM1,220 million in 2018. Cash flow improved due to improved working capital management, receivables, better tax recoverability and proceeds from the disposal of a subsidiary and an associate during the year.

STATEMENT OF CASH FLOWS

In RM'000	Group 2019	Group 2018 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial year	**(371,156)**	(1,143,604)
Adjustments for:		
Taxation	**25,931**	100,034
Zakat	**6,397**	18,603
Depreciation of property, plant and equipment	**672,397**	647,270
Impairment loss on property, plant and equipment (net)	**159,802**	216,069
Property, plant and equipment written off	**14,486**	24,488
Loss/(gain) on disposal of property, plant and equipment (net)	**12**	(80)
Depreciation of right-of-use assets	**71,239**	80,651
Impairment loss/(reversal of impairment) on right-of-use assets	**8,281**	(319)
Depreciation of investment properties	**12,321**	12,417
Impairment loss on investment properties	**-**	1,218
Amortisation of intangible assets	**27,779**	27,395
Intangible assets written off	**2,173**	2,784
Impairment loss on intangible assets	**179**	526,625
Impairment loss on assets held for sale	**-**	52,080
(Reversal of impairment)/impairment loss on amount due from a significant shareholder	**(27,860)**	40,844
Impairment loss on amounts due from joint ventures	**89,669**	20,212
(Reversal of impairment)/impairment loss on amounts due from other related companies	**(30,440)**	19,990
Impairment loss on loan due from a joint venture	**47,171**	2,300
Gain on liquidation of a subsidiary	**-**	(1,912)
Gain on disposal of a subsidiary	**(219)**	-
Realisation of foreign exchange upon disposal of a subsidiary	**(3,658)**	-
Impairment loss on investment in a joint venture	**-**	1,350
Loss on disposal of an associate	**1,413**	18,494
Gain on disposal of financial assets at fair value through profit or loss	**-**	(2,783)
Impairment of receivables (net)	**7,760**	69,814
Write-down of inventory to net realisable value	**2,379**	9,655
Share of results from associates	**1,625**	11,721
Share of results from joint ventures	**(14,858)**	29,324
Net unrealised foreign exchange (gain)/loss	**(2,685)**	5,230

In RM'000	Group 2019	Group 2018 (Restated)
Dividend income from financial assets through other comprehensive income	**(1,394)**	(2,529)
Finance expense	**183,158**	202,442
Finance income	**(25,085)**	(33,969)
Other losses (net)	**237,817**	227,236
Fair value changes in biological assets (net)	**(3,318)**	11,892
Provision for defined benefit plan	**16,163**	2,606
Termination of lease contracts (net)	**-**	(2,096)
Reversal of provision for asset retirement	**-**	(1,500)
Unwinding of discount for provision for asset retirement	**459**	465
Reversal of onerous contract (net)	**-**	(845)
Provision for litigation loss	**-**	2,700
Provision for LTIP	**3,589**	5,283
Operating profit before working capital changes	**1,111,527**	1,201,555
Changes in working capital:		
Inventories	**734,032**	63,253
Receivables	**21,604**	57,252
Intercompany	**364,613**	(299,784)
Payables	**(271,265)**	2,082
Cash generated from operation	**1,960,511**	1,024,358
Finance income	**25,085**	33,969
Taxation paid	**(109,501)**	(48,501)
Zakat paid	**(6,397)**	(18,603)
Tax refunded	**155,476**	18,731
Retirement benefit paid	**(17,057)**	(5,660)
Payment for litigation loss	**(32,674)**	-
Net cash generated from operating activities	**1,975,443**	1,004,294
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(620,894)**	(958,727)
Purchase of right-of-use assets	**(4,860)**	(4,976)
Purchase of investment properties	**-**	(14,511)
Purchase of assets held for sale	**-**	(3,100)
Purchase of intangible assets	**(3,262)**	(17,273)
Additions of financial assets at fair value through other comprehensive income	**(8,034)**	(13,593)
Additions of financial assets at fair value through profit or loss (net)	**(23,781)**	(41,152)
Net cash outflow from liquidation of subsidiaries	**-**	(121)
Net cash inflow from disposal of subsidiary	**77,347**	-

In RM'000	Group 2019	Group 2018 (Restated)
Additional investment in a joint venture	**(6,584)**	-
Repayment of loan from a joint venture	**22,510**	-
Payment for asset retirement	**(63)**	(48)
Proceeds from disposal of property, plant and equipment	**385**	109
Proceeds from disposal of an associate	**29,000**	145,000
Proceeds from sales of financial assets at fair value through profit or loss (net)	**8,731**	116,606
Dividends received from joint ventures	**42,895**	41,929
Dividends received from associates	**1,167**	824
Dividends received from financial assets at fair value through other comprehensive income	**1,394**	2,529
Advances to joint ventures	**-**	(67,690)
Net cash used in investing activities	**(484,049)**	(814,194)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans due to a significant shareholder	**(272,605)**	(230,399)
Drawdown of borrowings	**4,474,502**	6,075,541
Repayment of borrowings	**(4,699,230)**	(5,938,908)
Payments of lease liabilities	**(39,121)**	(47,141)
Repayment of LLA liability	**(248,683)**	(298,651)
Dividends paid to non-controlling interests	**(82,395)**	(46,089)
Finance expense paid	**(221,921)**	(218,296)
Purchase of treasury shares	**(3,186)**	(4,920)
Decrease/(increase) in restricted cash	**75,169**	(77,004)
Net cash used in financing activities	**(1,017,470)**	(785,867)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**473,924**	(595,767)
Effect of foreign exchange rate changes	**(1,644)**	(2,111)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	**1,096,007**	1,693,318
Add: Decrease in assets held for sale	**160**	567
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	**1,568,447**	1,096,007

OUTLOOK & PROSPECTS FOR FINANCIAL CAPITAL

- The Group is continuing its efforts to deliver better results operationally and financially to create value for our shareholders. These include initiatives that will deliver sustained results for the benefit of all stakeholders. While the Group has made positive improvements operationally, the Board expects the business environment to remain challenging.

STATEMENTS OF VALUE ADDED

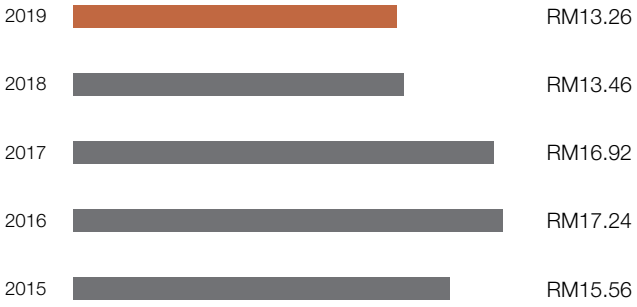
In RM'000	2019	2018
Revenue	**13,259,012**	13,464,480
Direct & Indirect costs	**(8,529,670)**	(9,174,482)
FFB purchased from settlers	**(2,624,697)**	(2,838,442)
Value added from Operations	**2,104,645**	1,451,556
Other operating income	**100,391**	121,472
Other gains	**2,322**	6,143
Share of results from Joint Ventures & Associates	**13,233**	(41,045)
Finance income	**25,085**	33,969
Total Value Added	**2,245,676**	1,572,095

STATEMENTS OF VALUE DISTRIBUTED

In RM'000	2019	2018
Employees	**1,617,610**	1,626,887
Government (corporate taxation & zakat)	**32,328**	118,637
Providers of capital		
Finance costs	**183,158**	202,442
Non-controlling interests	**(124,982)**	(62,681)
Depreciation & amortisation	**783,736**	767,733
Retained loss	**(246,174)**	(1,080,923)
Total Value Distributed	**2,245,676**	1,572,095

FIVE-YEAR GROUP FINANCIAL SUMMARY

REVENUE (RM BILLION)



EARNINGS PER SHARE (SEN)

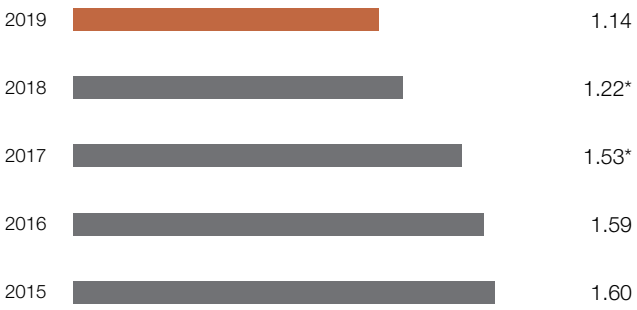
PROFIT/(LOSS) AFTER TAX AND MINORITY INTEREST (RM MILLION)

**Restatement due to MFRS 16*

DIVIDEND PER SHARE (SEN)

Note: ^Subject to shareholders approval at the forthcoming AGM

NET ASSETS PER SHARE (RM)



**Restatement due to MFRS 16*

RETURN ON SHAREHOLDERS' FUND (%)

**Restatement due to MFRS 16*

NATURAL CAPITAL

OVERVIEW

Natural Capital comprises the natural resources we use during our business activities to create value for our stakeholders. This includes our landbank, which consists of our oil palm and rubber estates, and the water and electricity we use to process and refine palm oil. By adding to our Natural Capital, by optimising the use of our landbank or pursuing other value-adding activities that positively affect this Capital, we can boost our other Capitals, especially Financial and Manufactured Capitals. However, it is crucial to balance this with mitigating actions that reduce negative impacts on the environment to ensure the sustainability of our business.

We align our **Natural Capital** with:

SDGs:

Strategic Thrust:

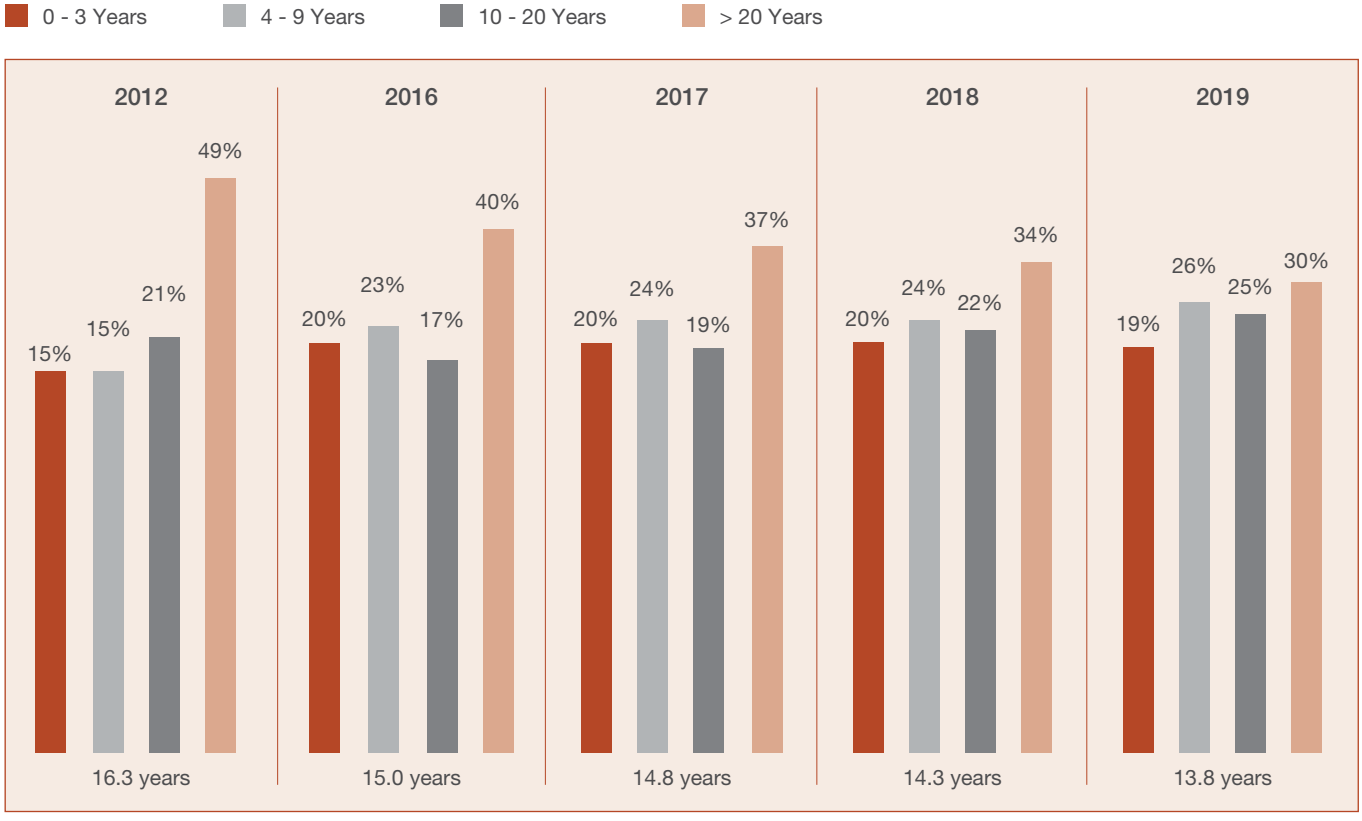
Material Matter:

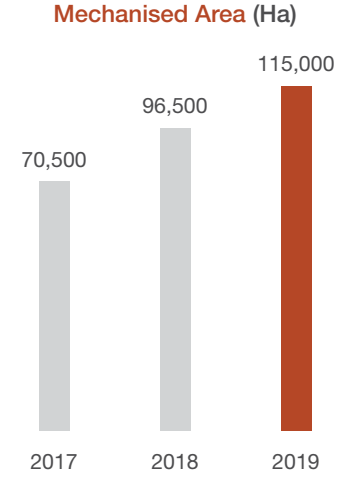
YI

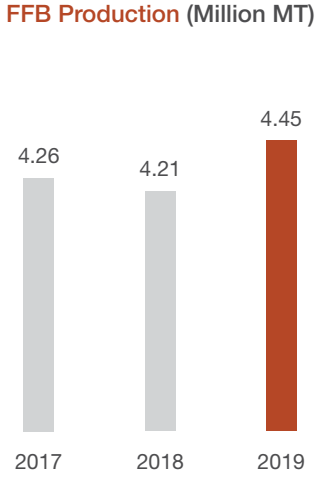
LANDBANK (Ha)	2019	2018
• Malaysia		
- Peninsular	252,508	252,903
- Sabah and Sarawak	164,144	164,244
• Indonesia		
- Subsidiary	22,578	22,578
- Joint Venture (JV)	42,824	42,824
Total landbank (excluding JVs)	**439,230**	**439,725**
Planted area (Oil Palm)		
• Immature	74,953	65,502
• Mature	263,484	273,883
Total planted area (Oil Palm)	**338,437**	**339,385**
Planted area (Rubber)		
• Immature	7,680	8,670
• Mature	3,521	2,597
Total planted area (Rubber)	**11,201**	**11,267**

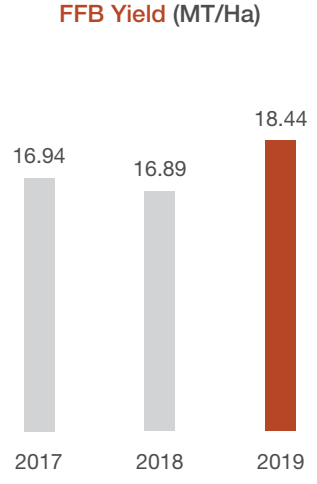
AGE PROFILE

We managed to reduce the old tree age distribution to 30% in 2019 compared to 34% in 2018. Overall, the distribution of old and very old trees reduced in 2019 and the average age of our palms is now 13.8 years. At the same time, the hectarage with prime aged palms increased in 2019 compared to 2018 due to an accelerated replanting programme of 5% per year.









Note: total mechanised area

OPTIMISING OUR NATURAL CAPITAL

OUR LANDBANK

The Upstream Division has a total landbank of 439,230 Ha, comprising 202 estates, including rubber estates. 416,652 Ha of this landbank are located in Malaysia (252,508 Ha in Peninsular Malaysia and 164,144 Ha in Sabah & Sarawak) with an additional 22,578 Ha located in Indonesia.

Of the total landbank, oil palm occupies 338,437 Ha while rubber occupies 11,201 Ha. Other crops make up a small portion of 1,592 Ha of our landbank. Out of the total oil palm planted area, 263,484 Ha consist of oil palms that have matured (more than four years old), while the remaining 74,953 Ha are categorised as immature areas, consisting of oil palms of less than three years of age.

4.45
Million MT

FFB PRODUCTION

Even while operational and weather factors impacted production numbers, the Group managed to improve FFB production by 6% despite a 3% reduction in harvested area in 2019 when compared to 2018. The increase in FFB production was due to a number of factors including a more stable labour supply, better rainfall distribution in 2017 and 2018 supporting bunch formation in 2019, a higher proportion of planted areas with younger palms and improvements in rehabilitated areas.

18.44
MT/Ha

FFB YIELD

Yield improved due to a number of factors including an easing of the labour shortage that affected the market in 2018 and a milder El Nino effect. More labour on hand improved our crop recovery and harvesting productivity, while a milder El Nino effect meant higher FFB production. In addition, areas that the Group rehabiliated showed improvement and consequently, better crop recovery.

74,953
Ha

REPLANTING

Due to lower average CPO prices and the draught during the first half of 2019, we decided to reduce the amount of replanting hectarage and completed only 8,251 Ha at the end of 2019.

FGV continues to execute its replanting programme, which is crucial to maintaining the productivity and sustainability of the Group's business. We are acutely aware that maintaining the target rate of replanting is vital to ensuring that our age profile stays in the prime range. We will continue our replanting plan until we achieve a normalised average age profile of 12.0 years by 2026. In addition, we will be using high-density planting material to produce greater yields. We have also piloted a self-replanting project that aims to utilise our own manpower to conduct replanting, as opposed to outsourcing it to contractors.

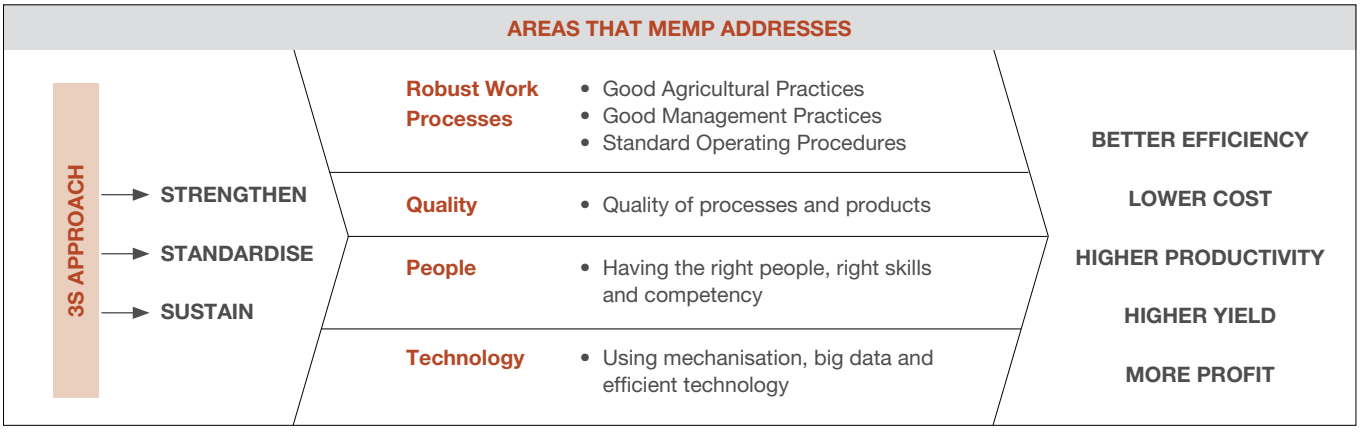
115,000 Ha

MECHANISATION

In 2019, FGV mechanised an additional area of 18,500 Ha and attained its target of mechanising crop evacuation on all 115,000 Ha that had been identified. This initiative helped to improve FFB production and reduce our dependency on manual workers, and we achieved a harvester-to-land ratio of 1:24 in 2019, as compared to 1:23 in 2018.

2019 UPSTREAM HIGHLIGHTS

Model Estate & Mill Project (MEMP)
In 2019, FGV embarked on an important initiative that will strengthen our processes, improve our efficiency and bring down costs of our operations going forward. The implementation of the MEMP will incorporate best practices across the entire work flow to obtain the most value from our work methods, our people and technology. We have since implemented MEMP at four sites and produced good results, and we plan to replicate it at four more sites in 2020.



Intercropping on Marginal Land
FGV continues to find ways to maximise the use of our landbank to generate revenue. The Group has established a pineapple seed garden at FGV Maokil 7, Johor, that leverages on marginal land that does not generate value for three years following the replanting of oil palm.

SUSTAINABILITY

ENVIRONMENTAL STEWARDSHIP

Taking care of our environment is a key priority for FGV. Considering that our primary business activity is highly dependent on the use of land, we take great care to manage our impact on the environment and surrounding areas. We minimise our footprint on the environment by contributing to conservation efforts and finding ways to limit emissions and waste. As such, new developments by FGV will not encroach into areas that are environmentally sensitive or under protection, such as primary forests, wildlife reserves, peatlands or land containing any high conservation value (HCV) elements. Beyond this, we invest significantly in awareness and education programmes while also going to the ground to get involved in conservation efforts first-hand.

These efforts include:

Managing human-wildlife conflict

- Due to our plantations being in close proximity to natural forests, we have categorised our plantations as 'Wildlife Managed Areas' and have developed guidelines to manage the potential for human-wildlife conflict.
- The guidelines call for the identification of important wildlife presences in and around plantations, the conservation of important wildlife species, the implementation of an action plan and monitoring programme and creating awareness about important wildlife in the surrounding communities.
- The scope of these guidelines is aligned with Malaysian Sustainable Palm Oil (MSPO) and Roundtable on Sustainable Palm Oil (RSPO) requirements for certification, which require that rare, threatened and endangered species need to be conserved and protected through a Wildlife Management Plan.

Managing broader environmental impacts

- To address broader concerns, we have extended our initiatives to include a five-year commitment to the Borneo Conservation Trust (BCT) and Sabah Wildlife Department (SWD) through which we participate in the Mega Biodiversity Corridor Conservation Project in the lower Kinabatangan Basin.
- This project supports the re-establishment, restoration and protection of riparian zones that enable important wildlife corridors for Borneo pygmy elephants, Orangutans, proboscis monkeys and others.
- FGV is also concerned with flora and is collaborating with the Forest Research Institute of Malaysia (FRIM) on the development of the Rafflesia Conservation and Interpretive Centre (RCIC).
- Research activities (in-situ and ex-situ) and rafflesia species identification and inventory, including planting of tetrastigma (host plant for Rafflesia sp.), are carried out under this project.

SUN BEAR CONSERVATION PROGRAMME (SBCP)

We work closely with the Malaysian Nature Society (MNS), National Wildlife Rescue Centre (NWRC), which is under the Department of Wildlife and National Parks (DWNP), and Universiti Kebangsaan Malaysia (UKM) to rescue conflicted or displaced sun bears as part of the conservation effort. To increase the success rate of our sun bear rehabilitation efforts, we support an enrichment programme at the NWRC to improve the sun bears' physical and nutritional states. To complement these efforts, research projects have also been undertaken to assess the behaviour of the sun bears in captivity to identify whether or not they are ready to be released. In 2019, the SBCP programme rescued 13 sun bears, rehabilitated 14 and released six. Our progress in this initiative over the last five years is recorded below:

Status	No. of Bears 2019	No. of Bears 2015 - 2019
Rescued	13	55
Rehabilitated	14	37
Released	6	39
Dead/Euthanised	2	4
Currently in captivity	11	11

GREENHOUSE GAS EMISSIONS

Currently, we have 30 biogas capturing plants in operation, of which 11 are certified as feed-in tariff projects, two are involved in a rural electrification project and one powers mill housing. One plant produces bio-compressed natural gas (Bio-CNG). These plants capture biogas mostly consisting of methane that otherwise would be released to the environment during the milling process. Through these initiatives, almost all the biogas that would otherwise be released to the environment is captured and used to generate energy or converted to carbon dioxide in flaring facilities, thereby reducing its global warming potential.

SUSTAINABILITY AND OUR ESG IMPACT

In 2019, FGV was assessed by the Zoological Society of London (ZSL) using the Sustainability Policy Transparency Toolkit (SPOTT) as well as by Forest Heroes under its Green Cats report. In both assessments, FGV's 2019 scores improved significantly over the previous year.

SPOTT Assessment

- FGV ranked 26th out of 99 companies in the SPOTT Assessment that measures the transparency of palm oil companies against a maximum of 181 environmental, social and governance indicators across 10 categories, scoring 168% over the average score of all companies assessed in 2019.

Green Tiger Index

- In 2019, FGV scored 71 out of 100 points in Forest Heroes' Green Tigers Index Rankings to move up to Green Cat category, an upgrade from its 2018 Red Cat category, with 39 points, higher than the average score of palm oil companies of 34 points. The report assesses companies' efforts to adhere to deforestation standards and policies.

WASTE & WATER MANAGEMENT

The Group adopts towards zero-waste management policy and we continue to find new ways to manage our waste more efficiently. Some of these initiatives include using biomass residue of empty fruit bunches (EFB) as solid fuel for our steam boilers, composting using EFB mixed with palm oil mill effluent (POME) and converting other by-products into animal feed.

In terms of water management, all water discharged from our mills is treated to ensure biological oxygen demand levels meet regulatory limits. We also aim to minimise the usage of water in our operations.

GROUP SUSTAINABILITY POLICY

To bolster our sustainability efforts, we revised our Group Sustainability Policy to extend human rights and sustainability commitments to third-party suppliers, compared to the previous version that only applied the policies to entities in which FGV had a controlling interest or management control. With the implementation of the revised policy, the Group conducted socialisation programmes that involved 818 internal stakeholders, 381 contractors and 190 FFB suppliers to familiarise them with the changes and expectations.

To further ensure that our suppliers comply with our standards, FGV is working on the validation of traceability data information, the verification of external suppliers' compliance with our Group Sustainability Policy and the development of FGV suppliers' sustainability status through a Preferred Network Programme (PNP).

UPHOLDING NO DEFORESTATION, NO PEAT, NO EXPLOITATION (NDPE)

We continue to uphold our pledge to our NDPE commitments throughout our plantations by not expanding into areas designated for protection such as primary forest, wildlife reserves and peatland. We are also committed to restoring the ecological function of peatlands planted after 25 August 2016 and have decided against any new development on peatland regardless of when the land was acquired. FGV uses the Global Forest Watch Pro (GFW Pro) system to trace and engage proactively with our suppliers if we discover deforestation risk within their operations.

FGV's sustainability initiatives and our progress can be found in the FGV Sustainability Report 2018/2019, which is available on our website at www.fgvholdings.com

OUTLOOK & PROSPECTS FOR NATURAL CAPITAL

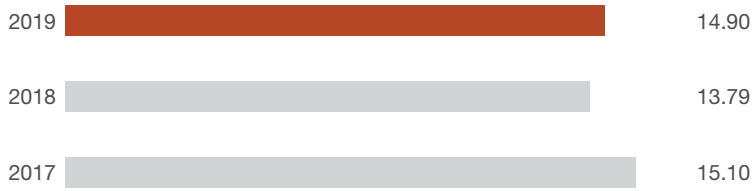
- Continue to enhance yield through the use of structured block harvesting that will facilitate efficient crop recovery.
- Work closely with the R&D Division to test enhanced replanting technology in selected estates with the use of satellites to improve precision compared to manual processes, guided by good agricultural practices (GAP).
- Continue to look into other crops that can help us maximise the use of our landbank.

MANUFACTURED CAPITAL

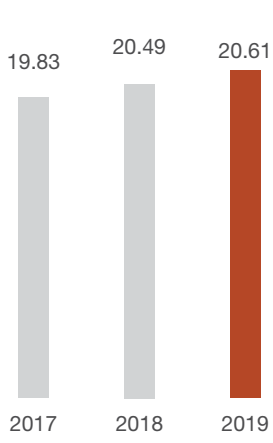
PLANTATION SECTOR

UPSTREAM

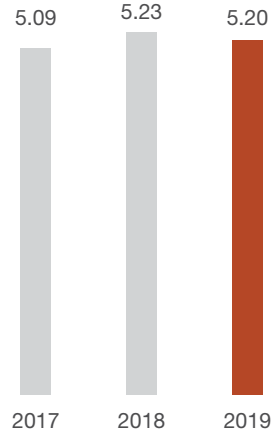
FFB PROCESSED (MILLION MT)



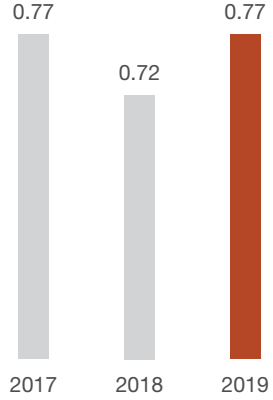
OER (%)



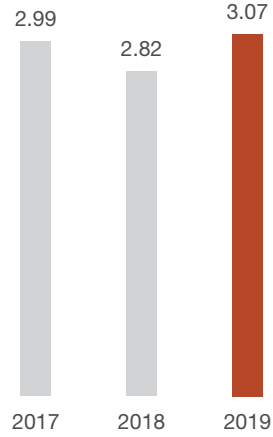
KER (%)



PK PRODUCTION (MILLION MT)

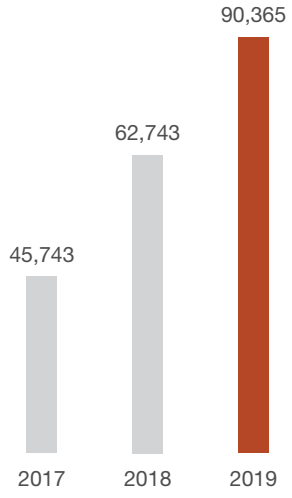


CPO PRODUCTION (MILLION MT)

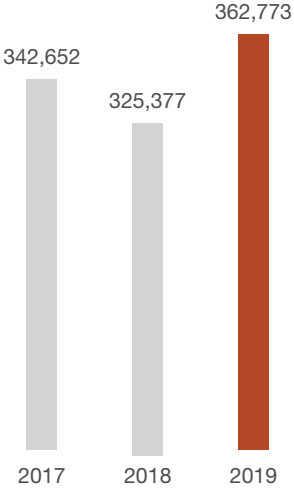


DOWNSTREAM

PALM METHYL ESTER AND BY-PRODUCTS VOLUME (MT)

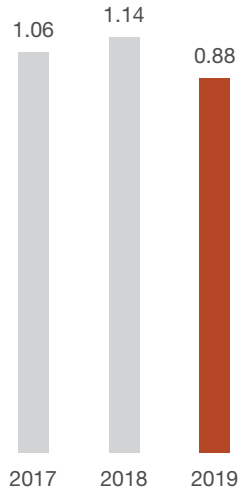


OILS AND FATS SALES VOLUME (MT)

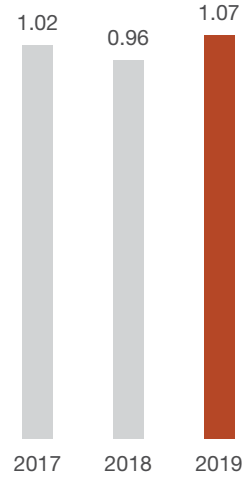


SUGAR SECTOR

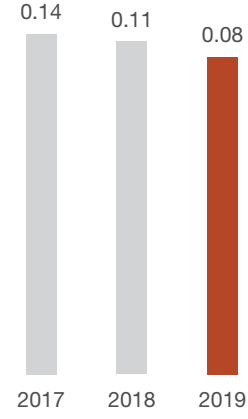
RAW SUGAR IMPORT VOLUME (MILLION MT)



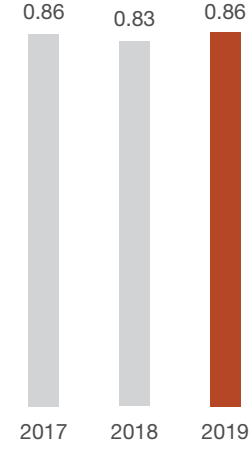
REFINED SUGAR PRODUCTION VOLUME (MILLION MT)



EXPORT SALES VOLUME (MILLION MT)

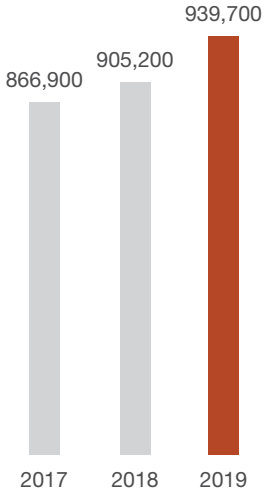


DOMESTIC SALES VOLUME (MILLION MT)

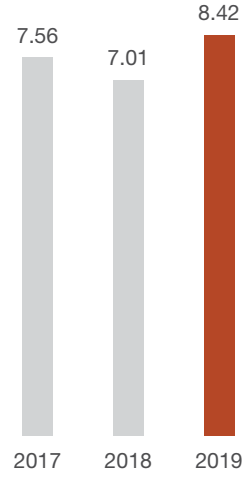


LOGISTICS & OTHERS SECTOR

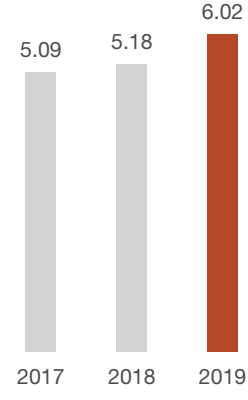
LIQUID STORAGE CAPACITY (MT)



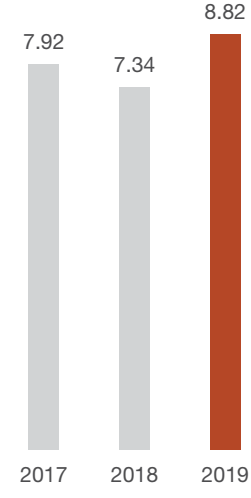
BULKING VOLUME (MILLION MT)



TRANSPORT VOLUME (MILLION MT)



STORAGE TANK TURNOVER RATE (TIMES)



OVERVIEW

The Group's goal is to consistently and sustainably add value to our Manufactured Capital, in line with our strategic thrusts. In 2019, we maximised the output from our properties, mills, refineries and other equipment to the best of our ability and within the capability and capacity of the other Capitals such as Human and Financial Capitals. The Group has created value for our stakeholders and will continue to grow Manufactured Capital while managing the inherent risks and opportunities.

We align our **Manufactured Capital** with:

SDGs: 3 GOOD HEALTH AND WELL-BEING, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Strategic Thrusts:

Material Matter: EP

PLANTATION SECTOR

UPSTREAM

Our mills process fresh fruit bunches (FFB) into crude palm oil (CPO). Moving along the value chain, we operate refineries that support our Downstream business that converts CPO into palm oil-based products such as oils and fats, fast-moving consumer goods (FMCG) and oleochemical derivatives.

INTRODUCTION

The number of mills we operated in 2019 remained at 68. Out of this total, 55 mills are located in Peninsular Malaysia, 11 mills are in Sabah and the remaining two mills in Sarawak. In 2019, the total processing capacity was 3,251 MT per hour, which was the same as the previous year.

BUSINESS PERFORMANCE

14.90 Million MT

FFB PROCESSED

In terms of FFB processed, there was an 8% increase in 2019 with 14.90 million MT processed, driven by a 6% increase in FFB production volume, with 30% of total FFB coming from our own estates. The remaining 44% and 26% were sourced from Federal Land Development Authority (FELDA) settlers and third parties, respectively.

3.07 Million MT

CPO PRODUCTION

As a result of the higher amount of FFB processed, our CPO production in 2019 rose to 3.07 million MT compared to 2.82 million MT in 2018. Consequently, the average CPO cost ex-mill was RM1,503 per MT, a 17% reduction from 2018. FGV was able to reduce production cost due to operational improvements such as implementation of good agricultural practices (GAP), and better crop recovery.

20.61%

OIL EXTRACTION RATE

Our oil extraction rate (OER) maintained its upward trend, improving to 20.61% in 2019 due to initiatives taken to improve FFB quality and closely monitor mill process parameters. In addition, we controlled oil losses, maintaining the average at 1.40%, which was below the limit of 2.00%. Our kernel extraction rate (KER) reduced slightly by 0.03% to 5.20% due to the difficulty of evacuating loose fruits during the wet weather seasons. FGV's OER and KER continue to exceed the nationwide average of 20.21% and 4.98%, respectively.

TRADING BUSINESS

Our Trading business is one of the lead revenue contributors to the Group, delivering high volumes of bulk vegetable oils, processed palm oil and lauric oils to local and export markets. The business sells and trades some 3 million MT of palm products annually.

We are a one-stop centre for bulk products, from planning to delivery to buyers, managing the end-to-end spectrum of the supply chain, and with a good reputation as a supplier of high-quality and sustainable oils. Our team comprises experienced traders and we continue to nurture our existing markets while venturing into new ones to accelerate growth.

OUR SERVICES INCLUDE:

- Product specification consultation
- Sales & purchase planning
- Freight on board and cost net freight shipment to export buyers
- Ground transport for local delivery
- Shipping documentation management

For products such as:

Palms
- Crude Palm Oil
- Processed Palm Oil Including Refined, Bleached, Deodorised (RBD) Palm Oil, RBD Palm Olein, RBD Palm Stearin, Palm Fatty Acid Distillate

Laurics
- Palm Kernel
- Crude Palm Kernel Oil
- RBD Palm Kernel Oil
- Palm Kernel Fatty Acid Distillate
- Palm Kernel Expeller

Biodiesel and its Products
- Palm Methyl Ester
- Glycerine

UPSTREAM KEY HIGHLIGHTS

The Upstream business continues to undertake further initiatives to add value to our Manufactured Capital. These include:

Premium Quality Oil
- The introduction of Premium Quality (PQ) CPO with free fatty acids (FFA) content of lower than 1.5%.
- This not only lowers refining costs, but also produces high-quality food-grade products.
- In 2019, FGV produced 1,980 MT of PQ oil.

Turnaround of Rubber Business
- Our Rubber operations completed a successful turnaround of the business, recording RM3.20 million profit in 2019 for our Malaysian operations compared to a loss of RM30.58 million in 2018.

Renewable Energy
- FGV has 30 biogas plants in total. As of now, 11 plants are certified as Feed-In-Tariff projects with total exported capacity of 15.4 MW.
- Two biogas plants in Sabah are involved in rural electrification while one in Sarawak powers mill housing, with total exported capacity of 2.2 MW and 0.6 MW respectively.
- The Group also operates world's first palm-based bio-compressed natural gas plant, with production capacity of 60,000 MMBTU/year.
- FGV produces varieties of by-products such as palm kernel shells (PKS), sludge oil, shredded EFB and EFB among others.
- 7.5 MW Biomass power plant located in Sahabat in Sabah supplying steam and electricity for our refinery, kernel crushing plant, bulking installation and a small township, Desa Kencana.

Main products:
1. CPO
2. PK

FFB Produced

By-products:
1. PKS
2. Sludge oil
3. Shredded EFB
4. Bunch Ash
5. Mesocarp fiber
6. EFB

DOWNSTREAM

INTRODUCTION

Under our Downstream segment, we operate eight refineries, of which we own four and four are operated via joint ventures. The combined refining capacity of all refineries is approximately 3.9 million MT per year.

In 2019, we refined around 37.2% of our own CPO compared to 26.2% in 2018, to produce oils and fats for industrial usage and domestic consumption. We are present not only in the domestic market, but also in the regional and global markets.

BUSINESS PERFORMANCE

362,773 MT

OILS AND FATS

The Downstream Division registered a good set of results in 2019 in the oils and fats segment, with sales volume rising by approximately 11.3% year-on-year. For example, FMCG exports grew by 74%. Growth in our FMCG bulk sales volume continued to show an upward trend, growing at a faster pace of 18% year-on-year, while the repacking segment was still under pressure from increased competition.

78,668 MT

PALM METHYL ESTER

The Group also registered a significant increase of 44% in the sales volume of PME, reaching 78,668 MT in 2019 compared to 54,490 MT in 2018. The increase was largely due to the implementation of the B10 biodiesel mandate for the transport sector in February 2019 and the B7 biodiesel mandate for the industrial sector in July 2019, which increased nationwide consumption of biodiesel.

130,123 MT

FATTY ACID SALES VOLUME

Fatty acid volumes in 2019 were 5.7% higher than in the previous year as a result of the portfolio optimisation efforts of our USA subsidiary, Twin Rivers Technologies, Inc. The company is striving to push more vegetable-based products with higher margins over tallow-based products. In addition, increased demand for coconut-based products from one of its largest customers has helped grow the company's overall fatty acid volumes.

PALM KERNEL BUSINESS

The amount of crude palm kernel oil (CPKO) and palm kernel expeller (PKE) produced depends on processed palm kernel (PK). Therefore, the higher production of CPKO and PKE in 2019 corresponded with the higher amount of processed PK.

Year	Processed PK	CPKO	PKE
2018	700,720 MT	323,133 MT	358,818 MT
2019	777,614 MT	358,375 MT	394,428 MT

PKE is an important source of protein, energy and fibre, especially for ruminant animals like dairy cows. The fat content makes PKE an energy feed and PKE also contains approximately 16% fibre. Cattle with fibre deficiency can easily develop metabolic or digestive problems. Therefore, intake of about 17% dry crude fibre is enough to prevent the adverse effects of a deficiency in lactating cows. Our PKE also contains high amounts of vitamins and amino acids. Moreover, the high phosphorus to calcium ratio makes it a good choice to feed dairy cows. These two elements are critical nutrients in animal feed for bones and teeth development, as well as for transferring energy to the cells in the body. PKE also contains essential elements such as magnesium, copper, zinc and iron.

DOWNSTREAM KEY HIGHLIGHTS

The Downstream Division continues to take further initiatives to add value to our Manufactured Capital. These include:

Leveraging on our well-known brands such as SAJI, ADELA and SERI PELANGI and venturing into new market segments

- ADELA Gold made significant inroads into the mass-blended cooking oil category.
- SERI PELANGI led the market with 40% volume share within the yellow fats category in Malaysia.
- Partnered with DKSH Holdings (Malaysia) Berhad, Malaysia's leading market expansion services provider, to tap into the food service sector.
- Venturing into regional markets of focus for Downstream such as Cambodia, and further into the Phillipines, Thailand, Laos and Africa.

Supporting the government's initiative towards implementation of B20 biodiesel

- Continued our collaboration with the Malaysian Palm Oil Board (MPOB), following the good working relationship and positive results gained from the B10 biodiesel usage test.
- From September 2019, MPOB and FGV embarked on a six-month trial project involving the use of B20 for diesel vehicles.
- This was in line with the government's aspiration to introduce B20 biodiesel, to be implemented in 2020.

Venturing into the animal feed business

- PKE used to be sold to feed manufacturers at a very low price.
- Now PKE is used in three animal feed products targeted at cattle, with production growing by more than 100% and revenue increasing by 76% in 2019.
- Appointed an animal nutrition specialist to add further value to these products.
- New products introduced in 2019:
  - Premium PKE
    Our chemical-free PKE is derived from a mechanical press process and has high oil content of between 5% and 6%.
  - Premium Palm Kernel Pellet
    Our palm kernel pellet contains 85% premium PKE and is mixed with other ingredients such as soybean hull, maize, molasses, wheat pollard and salt.

Cost Optimisation

- The Downstream Division was able to obtain cost savings of RM4.4 million in 2019 due to cost reductions in production, maintenance, utilities and operations.

OUTLOOK & PROSPECTS FOR PLANTATION SECTOR

- Rationalisation of mills to increase utilisation factor.
- Commercialisation of by-products business by entering into synergistic collaborations.
- Increase production of premium quality oil.
- New product development for animal fat replacer, dairy fat replacer and premium frying oil, as well as new animal feed formulations for premium beef, dairy cattle and goats.
- Merger & acquisition initiative for oil & fats and speciality oleochemicals.

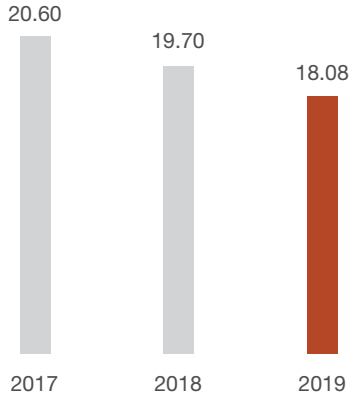
RESEARCH AND DEVELOPMENT

The Group has leveraged on the research of our award-winning R&D Division into ways to enhance upstream yields to commercialise seeds, seedlings, ramets and rat bait that are produced, sold and exported.

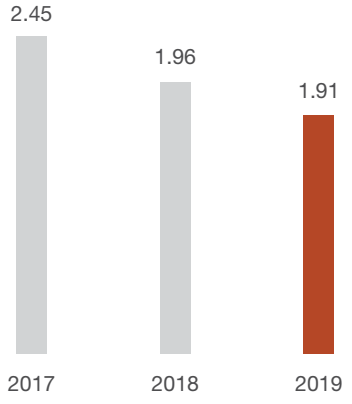
In terms of our Yangambi seeds, we are looking to expand our reach by selling them to Indonesia and India, as well as to other countries that have oil palm plantations.

SALES VOLUME

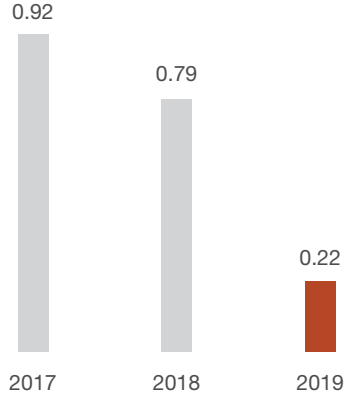
YANGAMBI SEED (MILLION UNITS)



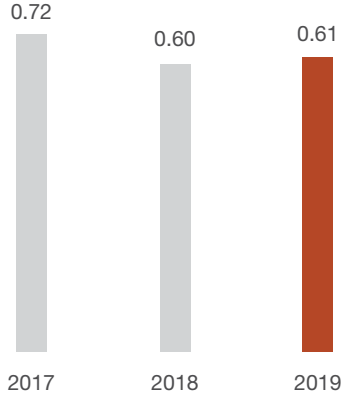
SEEDLINGS (MILLION UNITS)



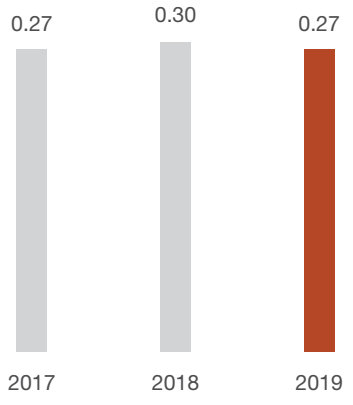
RAMETS (MILLION UNITS)



FERTILISER (MILLION MT)



RAT BAIT (MILLION BOXES)



BUSINESS PERFORMANCE

18.08 Million Units

SEEDS

In 2019, we sold 18.08 million units of Yangambi seeds to domestic and international markets, a decrease from the 19.70 million units sold in 2018. The lower volume was mainly attributable to the lower average CPO price in 2019 that reduced national seed demand by nearly 20% compared to 2018.

1.91 Million Units

SEEDLINGS

The lower seedling sales volume in 2019 against 2018 was mainly attributed to the lower average CPO price in 2019 that reduced the national seedling demand. The effect was the same as seen for oil palm seeds.

0.22 Million Units

RAMETS

There was a reduction of palm oil ramet sales due to the postponement of replanting by plantation companies nationwide.

0.61 Million MT

FERTILISER

In the fertiliser segment, we registered fertiliser sales of 0.61 million MT in 2019, a slight increase from the 0.60 million MT in 2018. The rise in fertiliser sales was due to an overall increase in sales to our dealers, manufacturers and retail segments.

0.27 Million Boxes

RAT BAIT

Our rat bait business is represented by our BUTIK product. In the period under review, we recorded sales of 0.27 million boxes, a slight decrease compared to the 0.30 million sold in 2018. This was mainly due to postponement of replanting programmes and cost cutting by our key customers in 2019.

For details on the R&D Division's value-creation activities, outcomes, awards and outlook & prospects, please refer to Intellectual Capital on pages 64-67 of this report.

SUGAR SECTOR

INTRODUCTION

MSM Malaysia Holdings Berhad (MSM) is the world's eighth-largest sugar refiner by capacity and Malaysia's top sugar producer with a 61% domestic market share. MSM Group now has a total annual production capacity of 2.25 million MT from its three refineries in Johor, Perlis and Penang, with a production capacity of 1 million MT, 0.20 million MT and 1.05 million MT, respectively.

BUSINESS PERFORMANCE

0.88 Million MT

RAW SUGAR IMPORTS

A decrease in raw sugar purchases in 2019 was attributed to the high raw sugar stock of 278,111 MT that was carried over from 2018 to 2019.

1.07 Million MT

REFINED SUGAR PRODUCTION VOLUME

Refined sugar production volume increased compared to 2018 following the commercialisation of MSM Johor on 1 April 2019.

0.08 Million MT

EXPORT SALES VOLUME

Export sales contributed marginally to the total revenue of MSM. The surplus of refined sugar in the world market in 2019 negatively impacted the export sales volume. In addition, the tight spread between white sugar and raw sugar prices affected the competitiveness of our pricing compared to other refiners, especially those in Thailand.

0.86 Million MT

DOMESTIC SALES VOLUME

Domestic sales volume recorded a slight increase of 5% year-on-year.

SUGAR KEY HIGHLIGHTS

The Sugar Sector continues to take further initiatives to add value to our Manufactured Capital. These include:

Value-Added Sugar Products

- Started to export value-added sugar products such as sugar syrup and premixed sugar to the Asian market.

Product Certifications

- Our refineries conform to Halal, Malaysian Standard (MS), QMS ISO 9001:2015, Kosher, FSSC22000, ISO22000, Hazard Analysis and Critical Control Points (HACCP) and Good Manufacturing Practice (GMP) certifications, ensuring the safety and quality of our sugar products.

OUTLOOK & PROSPECTS FOR SUGAR SECTOR

- Began the installation of Phase 1 of a biomass boiler in MSM Johor to reduce its energy bill.
- Implementing the 'Just-In-Time' mechanism to optimise raw sugar stocks and external warehouse space.
- Ongoing research and development efforts to produce food and non-food sugar-related products such as low-calorie sucralose, mud cake and molasses.

LOGISTICS & OTHERS SECTOR

INTRODUCTION

The Logistics & Others (LO) Sector is an important part of the Group's business strategy as it focuses on businesses that help to drive Group-wide efficiencies while also targeting growth in adjacent markets. The business areas it currently covers are storage, transportation, information & communications technology and others.

Our main businesses and their functions are described below:

Bulking/Storage

FGV Johor Bulkers Sdn. Bhd. (FJB) is an independent service provider for bulk storage and handling of vegetable oil-based products, grains and basic chemicals. It is also a one-stop centre for forwarding services and trans-shipment activities. FJB handles between 25% and 35% of Malaysia's total palm oil exports and provides ample tank space solutions for international vegetable oil traders to conduct their business effectively worldwide. We have one of the biggest storage facilities for edible oil in the world, with a capacity of 939,700 MT, comprising 844,400 MT located in Malaysia, 22,500 MT located in Indonesia and 72,800 MT located in Pakistan, through our 12 bulking terminals in eight major ports.

Information & Communications Technology

FGV Prodata Systems Sdn. Bhd. is a prominent local systems integrator, and offers a comprehensive portfolio of ICT managed services solutions that include enterprise applications, automation and telecommunications. As an ISO-certified company backed by a full range of ICT and business experts, we aim to harness the power of technology in helping our clients attain their business goals.

Transport

Supporting our logistics aspirations is FGV Transport Services Sdn. Bhd., which offers inland transport, multimodal transport, courier services and warehousing. It is the biggest palm products transporter in the nation with a fleet of nearly 500 trucks (tanker, cargo, courier) and 14 nationwide hubs, inclusive of five main depots and nine sub-depots.

In addition, we have jetty business operations in Malaysia and Pakistan:

- The Felda Sahabat Jetty in Sabah, Malaysia, is capable of facilitating vessels up to 50,000 DWT carrying CPO, CPKO, PKE, fresh water and others. The capacity for dry cargo transfer at the jetty is between 1,500 and 2,000 tonnes per day.
- The Pakistan Jetty, operated by our subsidiary F.W.Q. Enterprises (Pvt.) Ltd., and located in Port Qasim, is capable of facilitating vessels up to 35,000 DWT carrying edible oils and molasses and its derivatives, as well as other permissible cargoes. More than 90% of edible oils entering Pakistan go through this jetty.

Further details on the facilities operated by the Logistics & Others sector can be found in Our Presence, on pages 8-9 of this report.

OPERATIONS IN PAKISTAN

Since the 1980s, FGV Holdings Berhad (FGV) has had a presence in the Pakistan market through FELDA, which started its business there with the sale of edible palm oils. FELDA later built on this by signing a memorandum of understanding in 1993 with the Westbury Group (Westbury) to venture into palm-related industries. To date, the partnership between FGV, Westbury and two other Malaysian partners has created four Pakistan-based companies that operate within the palm and other edible oils value chain. One of these companies is F.W.Q. Enterprises (Pvt.) Ltd., a subsidiary of FGV.

Overall, FGV's Pakistan venture has continuously provided dividend income of more than 6% annually to the Group. This solid performance is largely due to having a good relationship with a strong and well-connected local partner, investment in a strategic location (Port Qasim), control of the value chain from the jetty to the marketing of edible oils and the strong demand from major palm oil and food industry players in the region.

BUSINESS PERFORMANCE

6.02 Million MT

TRANSPORT VOLUME

In 2019, we recorded transport volume of 6.02 million MT compared to 5.18 million MT in 2018 following higher tonnage carried for external customers.

8.82 Times

STORAGE TANK TURNOVER RATE

Our bulking volume increased to 8.42 million MT in 2019 compared to 7.01 million MT in 2018 as a result of higher contributions from major customers. The higher bulking volume led to a rise in our storage tank turnover rate to 8.82 times from 7.34 times in 2018.

LOGISTICS & OTHERS KEY HIGHLIGHTS

Total Integrated Logistics Solutions Provider

- We now perform a variety of end-to-end logistics-related service activities like air, ocean, road and rail transportation, warehousing and other value-added services.
- New services being offered include becoming the third-party logistics provider for our FMCG arm, as well as hajj cargo business.

Intellectual Property

- Implemented the elektronik Rangkaian Maklumat Ladang (eRML) Modular Online Plantation Management System (OPMS) in two internal companies (FGV Agri Services Sdn. Bhd. and Pontian United Plantations Berhad) and one external company (Felda Technoplant Sdn. Bhd.) and the Integrated Logistics Distribution System (ILDS) Mobile for FGV Transport Services Sdn. Bhd. drivers to reduce operational costs.
- FGV Prodata Systems Sdn. Bhd. also have other intellectual properties that are used within the Group such as the Palm Oil Mill Integrated System (POMIS), Settler, Land & Plantation (SLP), Sistem Maklumat Koperasi Bersepadu (SMKB), Weighbridge Management System (WBS), etc.

OUTLOOK & PROSPECTS FOR LOGISTICS & OTHERS SECTOR

Bulking

- Capacity expansion through construction of new additional tanks.
- Overseas expansion of storage capacity.

Transport

- Maximising internal transportation needs.
- Certified Halal inland transporter.
- Penetration into new industry (oil & gas).
- Potential mergers & acquisitions for business expansion.

Information and Communications Technology

- Managed services contract for the integrated telecommunications infrastructure and related services.
- Telecommunications infrastructure service provider.
- Food supply chain platform.

INTELLECTUAL CAPITAL

OVERVIEW

Our award-winning Research and Development (R&D) Division continues to be an integral part of FGV's Intellectual Capital, driving significant improvements across our Upstream Division and producing exciting new products for our Downstream business. With a sustained focus on innovation and the use of cutting-edge technology, it is well positioned to add significant value to all of the Group's Capitals.

We align our **Intellectual Capital** with:

SDGs:

Strategic Thrusts:

Material Matter: YI

OUR ROLE

The role of the R&D Division is to augment the value-creation abilities of FGV's agribusiness through robust business-oriented R&D programmes, supported by our skilled and talented researchers. Our findings result in products of high and useful value to drive better margins for the Group, while integrating the business further. We also focus on maximising value creation through fertilisers, given their important role in the agriculture industry. The sum of these initiatives will benefit the lives of our oil palm-growing communities.

WE ARE SUPPORTED BY:

FGVAS
(FGV Agri Services Sdn. Bhd.)
responsible for the production of seeds, seedlings, ramets, rat bait and providing agronomic advisory and laboratory analysis services

FGV Fertiliser
(FGV Fertiliser Sdn. Bhd.)
manufactures fertilisers for internal and external use

FGV R&D and FGVAT
(FGV R&D Sdn. Bhd. and FGV Applied Technologies Sdn. Bhd.)
the research arm for the Group, contributing to product development for the whole plantation supply chain

VALUE-CREATION ACTIVITIES

UPSTREAM

Increase oil yield across the Group

Reduce inorganic fertilisers

Reduce labour dependency through mechanisation

Develop niche fertiliser products and increase external markets

DOWNSTREAM

Produce
new products for Downstream FMCG

Support
new income portfolio
(integrated farming)

UPSTREAM VALUE-CREATION ACTIVITIES

1. **Boosting upstream productivity** — To help boost the productivity of our Upstream Division, the R&D Division conducts research into ways to enhance Upstream yields. This is carried out in a variety of ways, all with the ultimate aim of increasing oil yield:

Premium Planting Materials — We have developed seeds, seedlings and ramets that are steadily improving in terms of quality and yield potential. We have also invested in ensuring the sustainable production of planting materials through cryopreservation and micropropagation methods.

Good Agriculture Practices (GAP) — Site-specific GAP have now been implemented in 30 estates across the Group, to achieve the target yield of 20 MT/Ha. A dedicated agronomist is assigned to every region to consistently monitor optimum GAP implementation based on site-specific requirements.

Irrigation Systems — We are testing the effectiveness of adding irrigation systems to our plantations of mature palms to ensure production levels remain consistent, given the adverse weather conditions that can affect Southeast Asia.

Experimental Mill for OER Testing — We have built an experimental mill with a capacity of 1.5 MT to record, monitor and test real-world OER outcomes based on the use of different planting materials.

ToughFar System — We have selected one estate to implement mechanisation by introducing and testing the ToughFar manuring system, a quicker and more efficient way to apply fertilisers.

Value-Creation Initiatives
The following initiatives have been planned to support our value-creation activities:

- Advanced technology has improved planting materials with the use of advanced genomics, cloning and leveraging on big data. In this context, we have carried out molecular breeding to expedite oil palm breeding and oil palm DNA fingerprinting, which is targeted at sustainable palm oil production.
- GAP – The R&D Division utilises agronomy research and advisory activities to drive good agricultural practices. In addition, we implement strategies that leverage on precision farming and integrated pest & disease management to maximise yield by minimising crop losses, and on bio-solutions.
- Using geospatial technology to produce accurate blueprints of oil palm replanting areas to ensure we are replanting efficiently. Precision agriculture is also used to proactively monitor plant health.
- OER/yield improvement initiatives are carried out by establishing an estate checker to monitor the quality of our FFB and of our grading activities.

2. **Reduction of inorganic fertiliser**

- Fortified Organic Fertiliser (FOF) is FGV's innovative fertiliser that combines inorganic fertiliser and compost. This environmentally friendly product aims to reduce inorganic dependencies that can enhance the productivity of oil palm trees.
- Replanting is carried out with biodegradeable mulch to reduce fertiliser losses and promote better palm growth.
- Developing special biofertilisers that contain beneficial microbes as a plant growth enhancer for our plantation estates. The product has been tested in the main nursery and will be evaluated in oil palm trees that are at the immature stage.
- By-products utilisation (POME irrigation system and EFB compost) as inorganic fertiliser reduction initiatives and soil amelioration initiatives.

3. **Reduction of labour dependency through mechanisation in order to optimise worker utilisation to reduce processing time and eliminate multiple handling of the oil palm fruit.**

UPSTREAM KEY OUTCOMES

- As of end-2019, the selected estates practising GAP achieved a yield of 20.57 MT/Ha.
- Our award-winning planting material, the Yangambi seed, dominates Malaysia's seed market, commanding almost 44% of market share.
- Labour efficiency has increased with our harvester-to-land ratio improving to 1:24. Through the mechanisation plan, we expect to increase the ratio to 1:25 within the next five years.
- Integrated Pest & Disease Management has led to a pest management product for Rhinoceros beetle management that kills up to 43% of the beetles even 24 months after application, reducing up to 48% of the total costs of chemical pest control.

DOWNSTREAM KEY OUTCOMES

- Our collaboration with the Group's FMCG business resulted in the production of the ADELA Gold and ADELA Industrial Margarine products.
- We have also developed fluidised palm oil and an animal fat replacer. The animal fat replacer can be applied to burger patties, nuggets and other related meat products.
- Our other research efforts in the Downstream area yielded products destined for our integrated farming business:
  - Palm kernel protein — adds nutrients and energy to poultry feed.
  - Calcium soap — high-energy fat that can be used as dairy cattle feed to increase milk production.

DOWNSTREAM VALUE-CREATION ACTIVITIES

- **New product development for FMCG**
  To support the Downstream sector, R&D works closely with FGV's FMCG arm to develop new products that have good commercialisation potential. We leverage on food technology to develop new food products for the Group, and we are directly involved in the development of higher value palm oil-based products.

- **Supporting the new revenue portfolio**
  Moving forward, we are also helping the Group grow its new integrated farming business with crops such as MD2 pineapple and Cavendish bananas. FGV has already established a MD2 pineapple seed garden in Johor, with a view to scaling up both for the local and domestic markets. In addition to PKE, the biomass produced from pineapple and banana production can potentially be processed for animal feed production.

INTELLECTUAL PROPERTY

To protect our research findings, the R&D Division also registered for Utility Innovation (UI) on intellectual property with good potential for further commercialisation. A recent UI filed was for 'Innovation in Oil Palm Replanting Using Geospatial Technology'. In simpler terms, we have developed a system that combines the use of satellite data, drones for image capture of the estate and GIS-rendered 3D models to improve our replanting process.

The new methodology has improved the conventional replanting method by minimising the errors that occur during the manual tape measurement of distance when planting trees. This has resulted in the highest precision in field geo-positioning, which leads to optimal planting density and therefore, maximum yield. Overall, the new method can reduce manpower requirements by 50% while at the same time doubling productivity.

AWARDS

FGV actively participates in various awards and took home two awards at the 30th International Invention, Innovation & Technology Exhibition (ITEX'19) held in May 2019. We were awarded a Gold and a Silver Award for our PalmaShield disease prevention product and oil palm DNA fingerprint service, respectively. PalmaShield is a biological product developed to manage Basal Stem Rot (BSR) disease in oil palm plantations. The DNA fingerprinting service, meanwhile, serves as a useful tool to identify whether or not materials such as seeds or clones can perform as claimed.

Another important and notable award was received in June 2019 when the Yangambi seed won the BrandLaureate Brand Influencer Award 2018-2019. This is the eighth time since 2008 that the Yangambi seed has won this award given by the Asia Pacific Brands Foundation.

FGV's Renewable Energy Business won the National Energy Awards 2019 and came in as runner-up at the ASEAN Energy Awards 2019 for its Umas Rural Electrification project that used biogas to generate electricity to benefit 3,000 households with over 15,000 inhabitants in the Umas township.

OUTLOOK & PROSPECTS FOR INTELLECTUAL CAPITAL

We will continue to invest in R&D and will be seeing many more practical outcomes as we go forward. Programmes in the pipeline include:

- A pilot project that utilises Space Applications For Environment (SAFE) technology to implement the highest and most precise replanting standards using satellite remote sensing technology. Replanting areas in six estates have been selected for this initiative.
- Studying a microbial solution for reducing the biochemical oxygen demand levels in palm oil mill effluents, which will reduce the impact of our activities on the environment.
- Working on formulating a new biofertiliser formulation. The main purpose of this product development is to improve soil structure and reduce fertiliser usage.
- Establishing and improving the cloning of MD2 pineapple-planting materials to enable the ramping up of production to supply farmers. This could lead to other opportunities for other fruit crops.

HUMAN CAPITAL

OVERVIEW

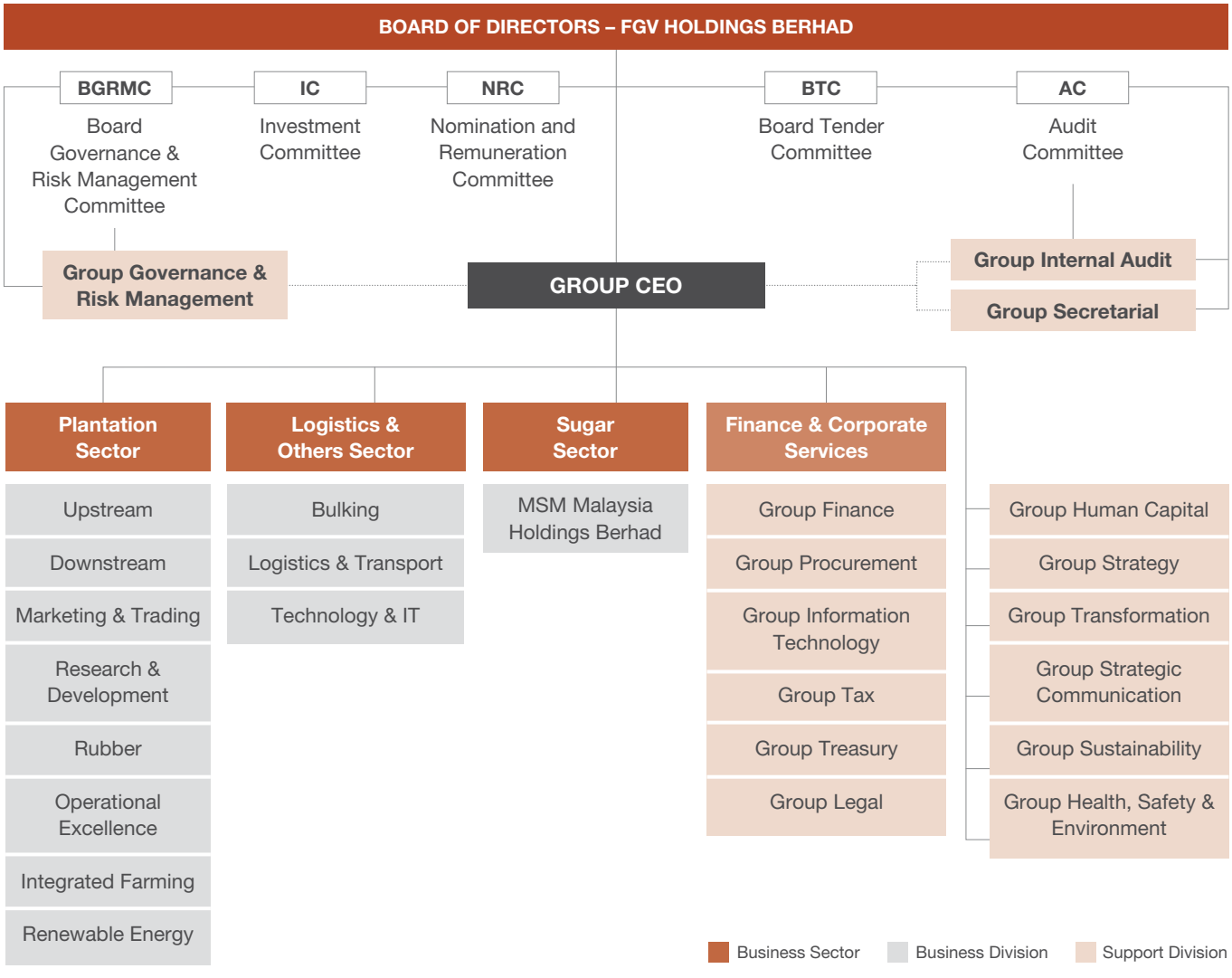
FGV's Human Capital plays an important role in realising the Group's business objectives and improvements in the value of this Capital will only strengthen the Group as a whole. To support this, we create a safe and conducive workplace while developing high-performing employees through holistic talent development programmes. Employees are also regularly engaged through various events focusing on work culture and wellness. Beyond this, the Group will introduce a new performance management framework and has been successful in managing staff costs through cost-optimisation strategies.

We align our **Human Capital** with:

SDGs: 3 GOOD HEALTH AND WELL-BEING | 8 DECENT WORK AND ECONOMIC GROWTH | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Strategic Thrust:

Material Matter: **HR**

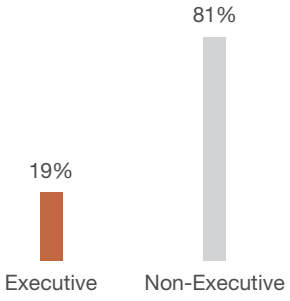


FGV GROUP DEMOGRAPHICS (AS AT 31 DECEMBER 2019)

TOTAL HEADCOUNT

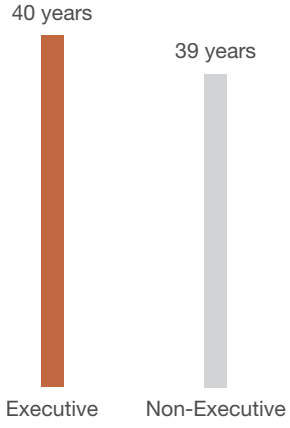
17,104*

2018: 18,742

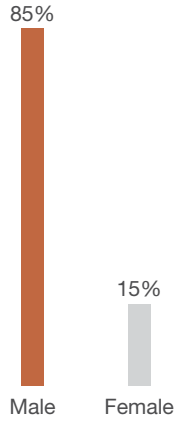


**excluding estate workers*

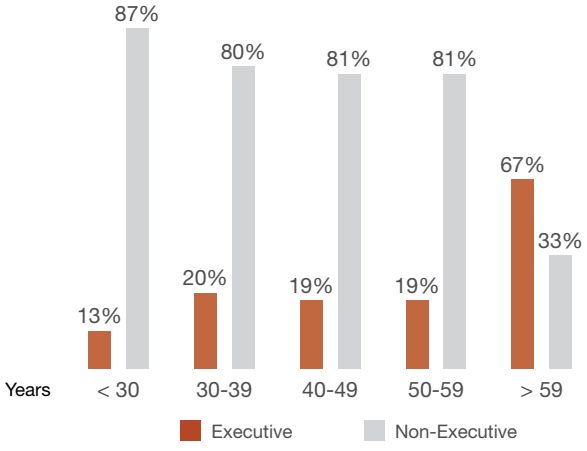
AVERAGE AGE



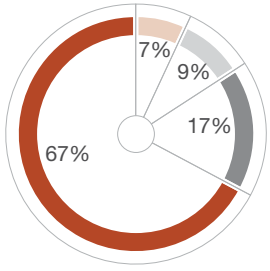
GENDER



BY AGE

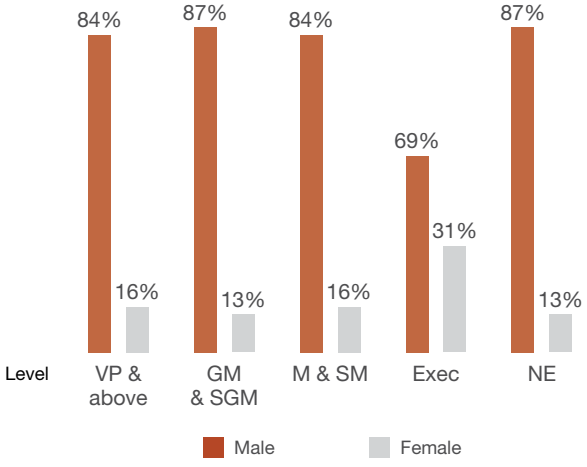


BY SECTOR

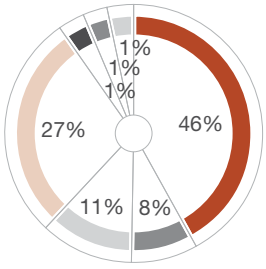


Plantation	11,748
Logistics & Others	1,554
Sugar	1,249
Corporate Centre	2,823

BY LEVEL

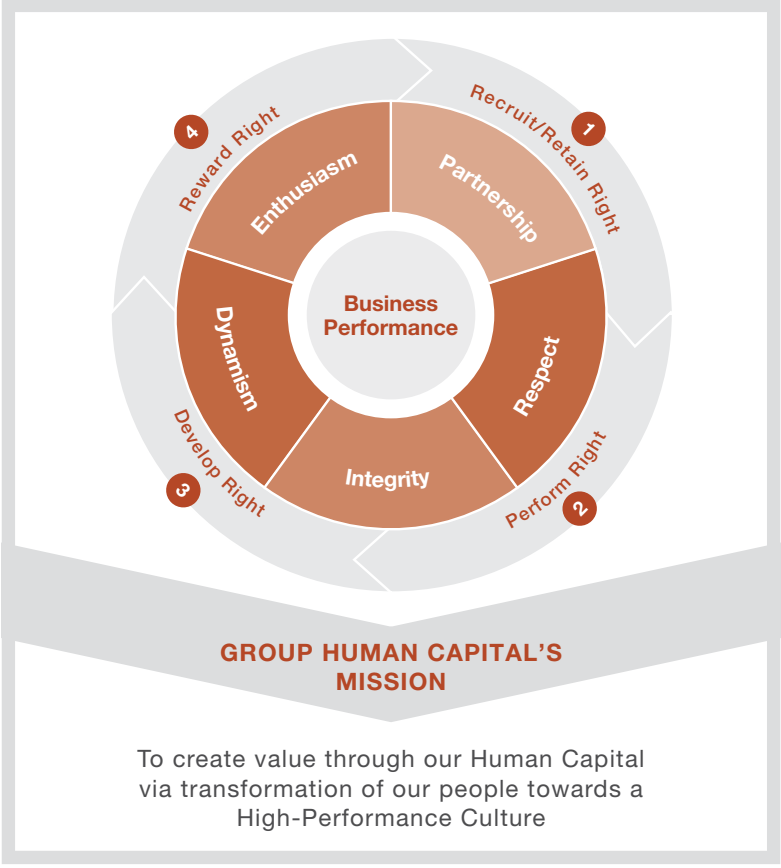


MIGRANT WORKERS STATISTICS



Indonesia	14,186
Philippines	2,545
India	3,433
Bangladesh	8,455
Myanmar	3
Nepal	9
Other Nationalities	1

HUMAN CAPITAL STRATEGY FRAMEWORK



Talent Development

In terms of talent development, we are moving into Phase 3 of FGV's mission of 'Creating Value through Our Human Capital'.

Phase 1: 2015-2016	Phase 2: 2017-2019	Phase 3: 2020 onwards
• Core & Fundamentals Learning & Development • Operational Effectiveness & Excellence	Structured & Systemised Development	Organisational Capability & Learning Culture

In 2019, we invested a total of RM3.3 million on various in-house and public training programmes, which resulted in an estimated 15,517 training man-days. The topics covered were broad and varied and focused on technical and competency-based areas with 74% of the training conducted in-house. The Group also invested significant time in organising workshops on our core values of Partnership, Respect, Integrity, Dynamism and Enthusiasm (P.R.I.D.E).

MANAGING PERFORMANCE TO DRIVE BUSINESS

Moving into 2020, the Group will introduce a new performance management framework that is designed to develop a high-performance culture and lead to:

- Raising both the individual's and the organisation's performance.
- Enhancing the capacity and competency of individuals to meet organisational expectations.
- Promoting two-way communication for clarifying expectations on roles and accountability.
- Encouraging empowerment, motivation and effective reward mechanisms.

The Group will also integrate the concept of 'competency' into the performance management framework using a 1 to 5 scoring system based on competency proficiency levels. Under this framework, a 60% weightage is given to achieving KPIs/targets and the remaining 40% is assigned to competency values that align with our core values of P.R.I.D.E. This type of assessment will be extended to FGV employees at all levels.

Long-Term Incentive Plan

We continue to implement our Long-Term Incentive Plan (LTIP) to reward, retain and motivate our employees as they contribute to our growth. Based on the mechanism approved by our Board of Directors in February 2016, 2.67 million shares were vested under the Restricted Share Plan to eligible employees in 2019. The vesting of the shares, expected in three years and based on a ratio of 30:30:40, is dependent on the employees' performance levels.

Cost Optimisation

In 2019, FGV successfully conducted a review of employee benefit policies with the view of optimising them from a cost perspective given the exacting business challenges faced by FGV. The review also ensured that benefits remained competitive and complied with relevant laws and regulations. The revisions were approved by the Board on 9 December 2019 and took effect from 1 January 2020.

FGV also carried out a Special Mutual Separation Scheme with the aim of optimising manpower, improving efficiency and increasing productivity of employees. This exercise also included retrenchment due to divestment of non-core businesses. In total, 1,377 employees left the organisation though this scheme.

In line with our manpower cost rationalisation initiative, the total number of employees is now 17,104. The turnover recorded for 2019 was 15.1%. As a result, the Group was able to reduce staff cost by 7.1% in 2019 compared to 2018.

BUILDING FOR THE FUTURE

Young Shapers Programme

FGV introduced the Young Shapers Programme (YSP), an initiative that is expected to positively impact the Group. Launched in May 2019, the YSP will develop and drive a group of young talents, aged 35 and under, to create a culture of performance excellence.

A total of 36 Shapers have completed the six-month programme, which consisted of five modules and involved creating and presenting a project paper while receiving pointers and guidance from the Group's Senior Management. The indirect skill sets acquired by the YSP candidates through this experience included business communication skills and thinking skills. At the conclusion of the programme, 15 Shapers were awarded scholarships by Asia Metropolitan University to pursue the Executive Master in Business Administration (MBA). We are optimistic about the results and plan to organise this programme again in the future.

YSP OBJECTIVES:

- To equip participants with practical knowledge of project management.
- To enhance participants with leadership in project management.
- To prepare participants to be future project leaders with strategic thinking and business acumen.
- To produce game-changing business improvements for FGV.

Scholarships

FGV continues to prepare for the future by grooming leaders of tomorrow and nurturing potential talents for the Group. Since 2006, we have awarded scholarships to deserving students to pursue their A-levels. The scholarships are further extended to cover their degree programmes in the United Kingdom should they meet the requirements set by the Group. We currently support 34 scholars locally and overseas through our Scholarship Programme and now have 51 recipients serving the Group.

Worker Requirement and Retention

As of December 2019, FGV employed a total of 31,074 migrant workers, mainly from Indonesia, Bangladesh and India, which was approximately 85% of our full worker requirement. We have until April 2020 to fully utilise our workers quota issued by the government.

In line with the RSPO's initiative for worker welfare and human rights, we provide our workers with the required living standards in compliance with the Workers' Minimum Standards of Housing and Amenities Act 1990. As of end-2019, we completed 319 blocks of workers' housing.

In keeping with our commitment to respect workers' rights, 130 estates in Peninsular Malaysia, Sabah and Sarawak are installed with safety boxes where workers can keep, and have access to, their passports at all times.

Workers' Union

FGV also regularly engages various local workers who support our activities through union representatives. Group Human Capital has two scheduled meetings annually with 15 in-house FGV unions and two national unions. In December 2018, we concluded and signed collective agreements with 16 of these unions for the period 2019–2021. In 2019, apart from our regular meetings, we conducted three extra meetings to discuss matters related to the welfare of the members and other current issues.

PROVIDING A HEALTHY AND SAFE ENVIRONMENT FOR OUR EMPLOYEES

With more than 60% of our 17,104 employees in the labour-intensive side of our Plantation business, creating a safe and healthy environment remains a key focus area. In this context, we benchmark our own practices against the industry's best practices and international standards.

The Group also continued its various Health, Safety and Environment (HSE) programmes to promote a strong safety culture. In 2019, there were 16 programmes, attended by 645 employees, which ranged from noise exposure to defensive motorcycle riding and fire-fighting.

While we strive to ensure zero fatality in our operations, we regret to report that in 2019 the Group recorded four fatalities involving one FGV staff, one of our migrant workers, a contractor and one third-party worker. Noting that the number of fatalities has remained at four since 2016, the Group is committed to improving our HSE programme to achieve the zero-fatality target.

There was also an increase in the number of non-permanent disability cases compared to 2018, which consequently increased our Lost Time Injury Frequency Rate (LTIFR) to 2.56 compared to 2.30 in 2018. However, there was a decrease in the overall severity rate.

LTI Cases	2019	2018*
Lost Time Injury Frequency Rate	2.56	2.30
Severity Rate	123.37	168.10
Incident Rate	6.33	5.69

* *2018 LTIFR has been restated to 2.30 from the previously reported 3.19 in 2018's report because of reclassification of 4 fatalities as non-work-related.*

#GOHOMESAFE

FGV launched a safety campaign called #GoHomeSafe to foster a safe work culture that prioritises safety from the start to the end of a working day. The character *Abang Selamat* was created as the safety ambassador for this campaign, and we appointed 65 managers from the Plantation Sector to act as *Abang Selamat* in their respective areas. The campaign focuses on:

SAFE departure and return to work

SAFE working environment

SAFE usage of equipment

Compliance with **SAFE** working guidelines

Events & Initiatives

The Group regularly organises sporting activities, charity events, workshops and sharing sessions to engage with our employees. We believe that an engaged workforce is a productive one, and will continue with our various programmes to build a strong relationship with our employees.

Human Resources Communications & Employee Engagement

- **Focus Group Discussion**
  128 employees, who were culture survey respondents, participated in nine focus group discussions for Group Human Capital (GHC) to better understand FGV's current culture and identify ways to improve it.
- **Knowledge-Sharing Sessions**
  Monthly sessions were organised Group-wide to inculcate a high-performance culture by creating a platform for FGV employees who are passionate about sharing their knowledge.
- **Opening of Taska Wisma FGV**
  FGV opened the Taska on 23 August 2019 at Wisma FGV. The Taska is able to accommodate 61 children and is supported by 11 teachers and two administrative employees.

Culture

- **Bring a Plant to Work Day**
  FGV employees brought plants to work at Wisma FGV on 18 March 2019 to promote a better working environment.
- **FGV Care Box**
  Launched in August 2019, this programme encourages FGV employees to share or donate new or used items for the needy.
- **PRIDE Workshops**
  A series of two-hour workshops centred on our core values of P.R.I.D.E was attended by 371 participants ranging from managers to vice presidents. The workshops were aimed at helping leaders understand the importance of culture in organisational transformation.

Wellness

- **Health Week**
  Employees were able to undergo free health screenings by Pantai Hospital, UiTM Private Specialist Centre and Institut Jantung Negara. Health education talks, as well as exercise programmes, were also organised for employees.
- **RISE WITH PRIDE: Naik Tangga Programmes**
  To promote a healthier lifestyle, programmes to encourage employees to use the stairs were organised, including the well-received stair-climbing competition.
- **KL-Car Free Morning**
  To take advantage of the KL-Car Free Morning mandated by City Hall every first and third Sunday of the month, FGV organised a get-together on 7 July 2019 for more than 60 employees to walk and exercise together in the city centre.
- **Games & Tournaments**
  FGV regularly organises sporting events for its employees, including futsal, carrom, darts, badminton, hockey, bowling, netball and table tennis.

Religious Affairs & Welfare

- **FGV Ramadhan 1440H Zakat Contribution Programme**
  FGV distributed zakat money to selected groups of asnaf during Ramadhan. In addition to the contributions to asnaf, FGV handed out contributions to Pusat Jagaan Nur Hasanah at Beranang, Selangor, and to Pertubuhan Kebajikan Anak Yatim Tasawwur Islam, Perak.
- **Projek Iftar Ramadhan**
  FGV organised an employee donation drive during the fasting month. The monies collected were used to purchase food packs for employees who worked late during Ramadhan who would have faced difficulties with regard to their Iftar.
- **Forum Maal Hijrah 1441H**
  In conjunction with the Islamic New Year 1441H, FGV organised a Maal Hijrah forum held at Surau Al Muhajirin, Wisma FGV. This forum, entitled 'Buku Baru', was organised in collaboration with Pusat Pungutan Zakat Majlis Agama Islam Wilayah (PPZ-MAIWP).

SOCIAL & RELATIONSHIP CAPITAL

OVERVIEW

FGV's Social & Relationship Capital comprises our relationship with our stakeholders. Essentially, this Capital encapsulates our sustainability efforts in the context of these different parties. Building on such sustainability efforts and improving these relationships increases the value of Social & Relationship Capital—which then helps to add value to all other Capitals.

The following discussion highlights our commitment to engage with all our stakeholders as well as key issues such as human rights, labour relations and sustainability certifications such as Malaysian Sustainable Palm Oil (MSPO) certification and the Roundtable on Sustainable Palm Oil (RSPO) certification.

We align our **Intellectual Capital** with:

SDGs:

Strategic Thrusts:

Material Matters: HR RC

STAKEHOLDER ENGAGEMENT

Introduction to Stakeholder Engagement

FGV regularly engages with its stakeholders to address concerns faced by our diverse stakeholder groups. We are committed to strengthening ties with our stakeholders as we strive to meet their needs and continue to deliver value in our sustainability journey.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER	DESCRIPTION	MEANS OF ENGAGEMENT	SIGNIFICANT MATERIAL MATTERS
Employees and Workers	Our employees and workers possess the technical expertise and experience to drive our business operations.	• Town halls • Team meetings • Surveys • Company intranet • Newsletters • Internal portal	• Economic Performance • Governance, Ethics and Integrity • Employee Engagement & Well-being
FELDA Settlers	Comprise 112,635 settlers who benefit from plantation income through the Federal Land Development Authority (FELDA). Our profitability benefits FELDA and consequently, the settlers.	• Monthly management meetings with FELDA scheme managers • Roundtable on Sustainable Palm Oil (RSPO) certification assessments • Industry awareness training • Technical advice on agronomy and plant protection • Stakeholder consultation during RSPO and MSPO audits	• Economic Performance • Yield Improvement • Governance, Ethics and Integrity

STAKEHOLDER	DESCRIPTION	MEANS OF ENGAGEMENT	SIGNIFICANT MATERIAL MATTERS
Investors	Our shareholders who provide the financial capital to operate and grow our business.	• Quarterly and annual reports • Briefings • Roadshows • Website and social media updates	• Economic Performance • Governance, Ethics and Integrity • Yield Improvement
Customers and Joint Venture (JV) Partners	Our customers and JV partners create the demand for our products and services.	• Roadshows • Surveys • Engagement meetings	• Legal Compliance • Products Responsibility • RSPO Certification
Government	The government facilitates the running of our business by providing infrastructure and other means of support.	• Conferences • Engagement meetings • Dialogues • Reports and updates	• Economic Performance • Yield Improvement • RSPO Certification
Suppliers	Our suppliers provide the materials that we need to produce our goods and services.	• Engagement meetings • Integrity assessments and training programmes	• Economic Performance • Governance, Ethics and Integrity • Effective Communication
Non-Governmental Organisations (NGOs)	NGOs help keep us abreast of socio-economic developments that can impact our environment and business.	• Dialogues • Corporate social responsibility activities and consultations	• Biodiversity and Deforestation Management • Traceability/Supply Chain • Human Rights
Regulatory Bodies	Regulatory bodies help keep our operations in compliance with regulations and guidelines that protect other stakeholders' interests.	• Engagement meetings • Site inspections	• Governance, Ethics and Integrity • Legal Compliance • Economic Performance

ENGAGEMENT ACTIVITIES

TOWN HALLS

Amid the challenges faced by the industry and the Group, FGV's leaders constantly hold town hall sessions to communicate their strategy and motivate employees. FGV Chairman Datuk Wira Azhar Abdul Hamid held several town hall sessions with Wisma FGV staff to emphasise the Board of Directors' dedication to the Group. The Board's leadership in this regard is welcomed by the Management as is it the common goal to strengthen FGV.

Group Chief Executive Officer Dato' Haris Fadzilah Hassan has also held various town hall sessions since February 2019 at Wisma FGV to address issues faced by the Group and to motivate FGV employees.

More details on activities carried out for our employees and workers can be found in Human Capital, on page 73 of this report.

MSPO CERTIFICATION FOR INDEPENDENT SMALLHOLDERS

In 2019, FGV continued with its efforts in assisting independent smallholders (ISHs) to obtain MSPO certification in collaboration with the Malaysian Palm Oil Board (MPOB). The main objective of assisting the ISHs is not only to ensure MSPO certification but also to obtain 100% traceability to ISHs plantations that supply to FGV based on the FGV supply list.

The project's activities included:

- Compiling a list of ISHs based on the FFB Purchasing Department's suppliers list and engagement with identified super dealers.
- Train-the-trainer—Selected mill representatives were given training on MSPO Part 2 (Independent Smallholders), which will assist FGV mill operators in giving advice to ISHs on requirements and standards.
- Train-the-dealer—78 dealers in Lahad Datu, Kuantan and Kluang were given training on MSPO standards and required documents. ISHs who send their FFB to collection centres were also given guidance on filling out forms.
- FGV, in collaboration with MPOB, published 'MSPO Pictorial Manual' to help ISHs improve their oil palm management skills by using good agricultural practices that can help improve the quality of the fruits and indirectly improve the livelihood of smallholders.

GENERAL MEETINGS

FGV's General Meetings represent the primary platform for a direct two-way interaction between the shareholders, the Board of FGV and the Management of FGV Group. They also act as the principal forum for dialogue with all shareholders to inform and receive feedback from them on material information in FGV's business.

General meetings are an important avenue through which shareholders can exercise their rights. FGV's Board takes active steps to encourage shareholder participation at General Meetings such as serving notices for meetings earlier than the minimum notice period.

FGV endeavours to conduct ongoing engagements with the investment community to provide them with the necessary information, data and service, as long as it is permissible by law, with the objective of providing understanding of FGV Group's operations and development in a timely, transparent and comprehensive manner.

Further details on the Investor Relations function of FGV can be found on page 113 of this report.

CORPORATE SOCIAL RESPONSIBILITY

Collaboration with Yayasan Felda and FELDA
FGV continued to collaborate with Yayasan Felda and FELDA to benefit charitable community centres and people in need.

One of the collaborations was the Ziarah Kasih 2019 programme, where FGV contributed RM21,000 in zakat to seven community-based rehabilitation centres in conjunction with a Hari Raya celebration on 28 June 2019. The event also celebrated 147 disabled trainees of the centres.

On 17 September 2019, the joint initiative culminated with a visit to Pusat Jagaan Nur Hasanah in Beranang, Selangor, a nursing home for the elderly with chronic illnesses. FGV contributed RM10,000 to the home for the construction of a fence and purchase of daily pharmaceutical needs such as glucose test strips and wound dressing kits. FGV staff also donated cash, groceries and clothes to the home while Yayasan Felda replaced old beds and mattresses with new ones. The students, staff and principal of Kolej Yayasan Felda who attended the day-long programme brought more cheer to the event by having a karaoke competition with the nursing home's residents.

Gift from the Heart
FGV's employees visited children at the paediatric ward in Hospital Wanita dan Kanak-Kanak Kuala Lumpur through its Gift from the Heart programme on 19 December 2019. The children, who were mostly long-term patients at the Neurology Paediatric Ward and Orthopaedic Paediatric Ward, received a gift each from various companies in the Group, including FGV Innovation Centre in Enstek, Nilai. A total of 178 gifts comprising toys, storybooks and stationery were collected within 10 days for the children, aged one month to 16 years old.

Addressing Human-Wildlife Conflict
FGV, in collaboration with FELDA, MPOC and the Sabah Wildlife Department, held a workshop on 14 November 2019 to address the issue of human-wildlife conflict. About 70 representatives from plantation companies around Sabah such as FELDA, FGV, Sime Darby, Sawit Kinabalu, Sabah Softwoods and Kretam Holdings attended the event that was held in Tawau. Among the highlights were FGV's conservation efforts and sharing sessions by the participants on addressing the issue of human-wildlife conflict. The workshop underscored the commitment by the plantation companies, agencies and local communities to work towards resolving the issue.

For more details on the initiatives on human-wildlife conflict, refer to Natural Capital on page 49 of this report.

SUSTAINABLE PALM OIL

RSPO CERTIFICATION

The RSPO Principles and Criteria (P&C) are the most widely used sustainability standards, with about 20% of global palm oil certified to these standards. FGV has been heavily involved in the RSPO since its establishment in 2003. We actively participated in the development of its P&C in 2005, the first P&C review in 2012, the second review in 2017 and were also part of the development of the Malaysian National Interpretation (MY-NI) of all the P&Cs.

In line with our pledge to the RSPO, we now have a total of 33 RSPO-certified mills as at December 2019, with certified quantities of 454,918 MT of Certified Sustainable Palm Oil (CSPO) and 112,398 MT of Certified Sustainable Palm Kernel. We expect RSPO certifications for all our complexes to be completed by 2021, to ensure our continued participation in the CSPO market.

RSPO Labour Updates

FGV provides regular and consistent updates to the RSPO and the public on the progress of the action plans that are being implemented. The Group will continue to work hard and focus urgently on closing the gaps identified by the RSPO.

In this context, some of the initiatives we implemented in 2019 were:

- Expanding the scope of the Sustainability Division to cover the whole Group with a direct reporting line to the Group Chief Executive Officer.
- Establishing FGV's Independent Advisory Panel (IAP) for its Board. This was approved by the Board in November 2019.
- Affiliation to the Fair Labor Association (FLA) – FGV, with the support of Procter & Gamble Chemicals (PGC), became a Participating Company of the FLA in October 2019. The FLA works together with Participating Companies to develop and enhance internal social compliance systems that identify and remedy labour rights issues. Securing this affiliation to the FLA is part of FGV's efforts to ensure that all our practices are fully in line with international labour standards.
- Collaboration with the International Organization for Migration and the Earthworm Foundation – FGV is participating in a labour supply chain mapping project conducted by the United Nations International Organization for Migration (IOM) and the non-profit organisation Earthworm Foundation. The scope of this project includes reviewing processes and procedures relating to the recruitment of migrant workers, identifying gaps and proposing recommendations to ensure that such processes and procedures are in line with international standards.

The Group has also revised, updated and strengthened its Group Sustainability Policy (GSP). Further to this, FGV continues to tackle the highly complex situation of undocumented persons in Sabah. The issue of undocumented persons working in plantations in Sabah is not unique to FGV but is an industry-wide concern.

In April 2019, the Sabah state government introduced a programme that would allow undocumented migrant workers in Sabah to apply for regularisation. As part of our commitment to practice responsible recruitment and to phase out labour contractors, we have invited these workers to join our workforce. We have facilitated the registration of these workers to undergo regularisation and we are covering the fees involved in the regularisation process.

While we target to complete this exercise by the end of June 2020, the achievement of this target hinges upon the integral roles of the relevant state agencies as well as the authorities of the workers' countries of origin.

Respect for Human Rights

Respecting human rights is at the heart of FGV's sustainability agenda. In this regard, we continue to undertake efforts to uphold and fulfil human rights standards through various initiatives. In addition to strengthening our GSP, we have adopted our Guidelines and Procedures for the Responsible Recruitment of Foreign Workers, which provides a clear set of guidelines to ensure responsible and ethical recruitment of migrant workers and covers various stages of the recruitment process, namely pre-employment, employment and post-employment processes.

FGV is also participating in a Labour Supply Chain Mapping project conducted by the International Organization for Migration (IOM) and Earthworm Foundation, the scope of which includes reviewing the process of recruitment of migrant workers and upgrading its internal processes and procedures to align with international standards.

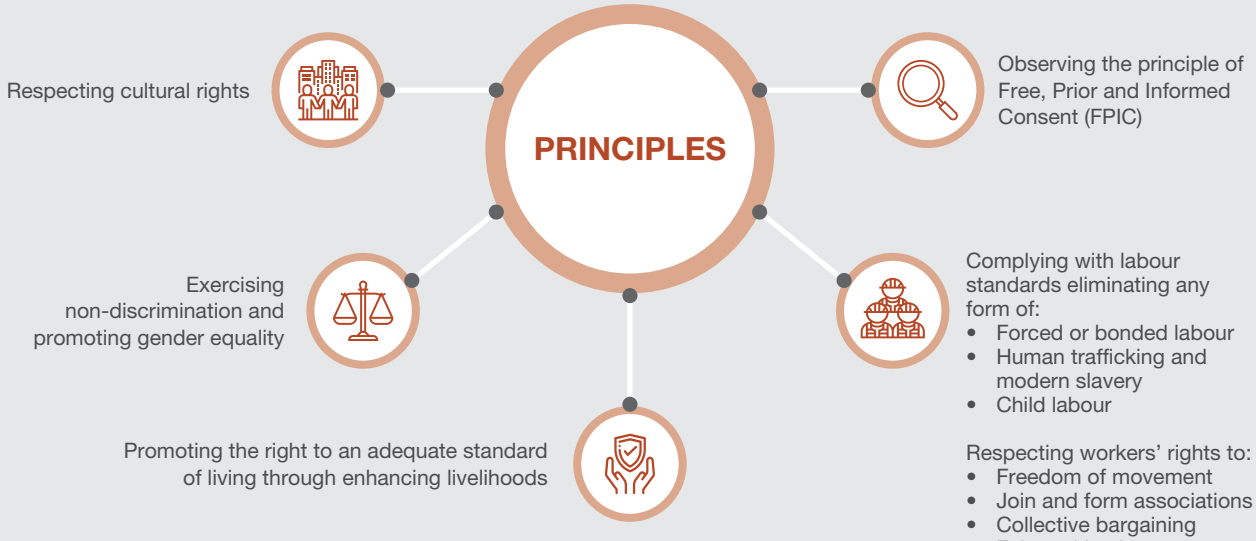
With the support of Procter & Gamble Chemicals (PGC), FGV was accepted as a Participating Company of the Fair Labor Association (FLA) in October 2019. The FLA is an international association of socially responsible companies, universities and civil society organisations (CSOs) aiming to promote and protect the human rights of workers and improve working conditions worldwide.

Securing this affiliation to the FLA is part of FGV's efforts to ensure that all our practices are fully in line with international labour standards. It will involve the implementation of a long-term programme to address and resolve gaps in FGV's

labour practices, as well as in our supply chain. The scope of this programme covers all aspects of FGV's labour practices such as recruitment procedures, placements and on-boarding processes, as well as working and living conditions and fair wages. In fulfilling its workers' right to adequate housing, FGV has allocated hundreds of millions of Ringgit to construct new houses and refurbish existing ones in line with national standards to ensure that its workers reside in comfortable accommodation.

Our commitment to human rights is enshrined in our Group Sustainability Policy (GSP) and draws on key human rights instruments including:

Recognising that all human rights are interdependent, interrelated and indivisible, we embrace the following principles:



TRACEABILITY

The Group has taken steps to identify and trace the source of palm products from our external sources in order to mitigate any risk associated with the source. We are now 100% traceable to our mills. This is essential to ensure that FFB sourced by FGV is not linked to deforestation, planting on peat or open burning, which will breach FGV's GSP and the No Deforestation, No Peat, No Exploitation (NDPE) commitment.

By the end of 2019, we managed to trace 80% of FFB to our plantations. We also identified our top dealers and approached them to communicate our GSP and NDPE commitments as well as to measure their sustainability risk levels using the Global Forest Watch Pro (GFW Pro) platform. This platform is an open-source web application to monitor global forests in near real-time. It measures global deforestation rates and is able to detect illegal land-clearing activities encroaching into protected areas.

Our target is to assess 100% of our suppliers' sustainability risks by 2021. To help our customers trace their source of purchases, we also created the FGV-Top platform to enable them to find out details of the mills such as their certification, geo-location and production per month.

BRIDGING THE GAP

FGV's Chairman, Datuk Wira Azhar Abdul Hamid, continues to actively participate in supporting the Group's progress by going on the ground to visit various operating units and accompanying Senior Management during their investor activities. In 2019, the Chairman visited our subsidiary, Asian Plantations Limited, and also got a first-hand look at some of our newest agricultural initiatives. Beyond this, the Chairman held a town hall session to assure the employees that the Board remains committed to transforming FGV into a top-performing company.

Board Visits:

- Board Visit to Model Mill Kilang Sawit Besout, Perak
- Board Visit to Model Estate Ladang Tembangau 06, Pahang
- Board Visit to FGV operations in Johor – FGV Johor Bulkers Sdn. Bhd., FGV Transport Services Sdn. Bhd., Pasir Gudang Depot, Delima Oil Products Sdn. Bhd., MSM Malaysia Holdings Berhad – MSM Sugar Refinery (Johor) Sdn. Bhd. and FGV Fertiliser Sdn. Bhd.

CONTINUOUS ENHANCEMENT OF SUSTAINABILITY INITIATIVES

To enhance personnel skill and knowledge, the Sustainability Division participated in a number of training and awareness programmes carried out internally and externally. Team members participated in International Sustainability Carbon Certification training in Jakarta, as well as in the MSPO and RSPO Principles and Criteria Calibration Workshop.

We have established a Sustainability Synergy Committee comprising the heads or representatives of the various sectors and divisions within FGV Group to embed sustainability principles and practices throughout FGV, as well as to ensure effective implementation across the board.

Our commitment to sustainability extends to our supply chain and as such FGV has adopted a Supplier Code of Conduct (SCOC), outlining the principles and standards relating to sustainability; business ethics and integrity; safety, health and environment; and human rights and labour, among other things. With the SCOC, any supplier or contractor wishing to enter into a business partnership with FGV is required to commit to and apply the stipulated principles and standards.

Thus, to ensure a smooth transition into the enhancements we have made to our various sustainability-related polices, FGV is in the process of conducting a socialisation programme. This will involve engagement sessions with various stakeholders, including suppliers and contractors, to raise awareness about the revised GSP, the SCOC, the Guidelines and Procedures for Responsible Recruitment of Foreign Workers and other relevant codes and procedures. These sessions will also be used to convey our expectations for compliance with the principles and standards. The socialisation programme, which started in July 2019, is expected to be completed by June 2020.

FGV's sustainability initiatives and our progress can be found in the FGV Sustainability Report 2018/2019, which is available on our website at www.fgvholdings.com

MARKETING AND PROMOTIONAL EVENTS

In promoting sustainable palm oil products, we collaborated with FGV's business partners and rolled out various campaigns and roadshows nationwide throughout 2019. This included media promotional activities through television, radio stations, newspapers and the internet.

Our promotional events included:

Event	Venue	Date
Launch of ADELA Gold	Kuala Lumpur	12 October
Smart Cooking, Smart Business with SERI PELANGI	Kedah Melaka Ipoh, Perak Terengganu	6 July 25 August 29 September 16 November
Mydin Carnival	Johor Bahru Bukit Mertajam, Penang USJ, Selangor	28 October – 3 November 25 November – 1 December 23 December – 29 December

Our media promotional activities included:

Activity	Media
Infak Ramadhan & Raya	Television, radio and digital brand integration
Thank You Campaign	Television, digital brand integration, YouTube, radio, newspapers
CNY Campaign ADELA Gold	Television, newspapers, social media

SOCIAL MEDIA STATISTICS

FGV recognises the importance of social media as a tool to communicate with and reach a wider base of stakeholders in today's digital age. We actively take part in the more popular and widely used social media platforms to engage with various stakeholder groups and gain a competitive advantage, besides establishing social relationships. As at 20 March 2020, we had more than 50,000 followers across four social media platforms:

34,383
Followers/Subscribers

835
Followers/Subscribers

2,423
Followers/Subscribers

15,545
Followers/Subscribers

OUTLOOK & PROSPECTS FOR SOCIAL & RELATIONSHIP CAPITAL

- To achieve 100% traceability to plantation by end of 2021.
- To improve accessibility for our stakeholders to communicate with/obtain information from the Sustainability Division.
- To develop a Sun Bear Action Plan for Malaysia and a Sun Bear Management Guideline.

CHAIRMAN'S GOVERNANCE OVERVIEW

INSIDE THIS STATEMENT

Material Matter: **GE**

Our Corporate Governance Overview Statement (CGOS) is aligned with the principles set out in:

Malaysian Code on Corporate Governance 2017 (MCCG 2017)

Bursa Securities' Corporate Governance Guide 2017

CONTENTS

Leadership and Effectiveness
- Our Governance and Integrity Framework
- Our Corporate Culture and Values
- Board Composition and Skills
- Our Board
- Our Management
- Board Activities
- Board Performance Evaluation
- Responsibilities, Oversight and Independence
- Induction and Continuous Professional Development
- Nomination and Remuneration Committee Report

pages 84-96

Accountability
- Audit Committee Report
- Board Governance & Risk Management Committee Report

pages 97-108

Remuneration

pages 109-112

Relations with Our Stakeholders
- Communicating with Our Stakeholders

pages 113-115

Integrity in Corporate Reporting

page 116

This CGOS should be read in conjunction with the Corporate Governance Report, which is available on our website at www.fgvholdings.com

DEAR SHAREHOLDERS,

I AM PLEASED TO INTRODUCE THIS YEAR'S CORPORATE GOVERNANCE OVERVIEW STATEMENT AND SHARE WITH YOU THE CONTINUED IMPROVEMENTS IN OUR GOVERNANCE PRACTICES IN 2019.

Good standards of corporate governance are critical to the long-term sustainability of our business. In shaping the Group's strategic direction, we have sought to ensure that good governance practices are embedded in our culture and support our purpose of creating value, supporting transformation and enabling growth.

AN ENGAGED BOARD

While the business is continuing to show signs of improvement, it is imperative that as a Board, we continue to focus on driving the Group's strategic pursuits and ensuring its sustainable success. As we work to transform our business, our role is to both support and challenge management proposals, and make the tough decisions to drive improved performance. Given the importance of achieving these objectives, we are constantly seeking new ways to further improve our practices.

Further information on our Board's engagement with stakeholders can be found on pages 76 and 80 under Social & Relationship Capital.

BOARD ACTIVITIES

A Board performance evaluation was conducted during the year facilitated by an independent, professional, experienced party. 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).

COMMITTED TO OUR FUTURE

In addition, a Board Succession Planning Framework was developed after taking into account the composition and size of the Board and the Board Committees and the preferred skill sets to ensure the Board has the right composition and diversity to oversee and support the ambitions of our strategic plan and business objectives. An overview of the range of key matters that the Board considered at its meetings during the year are on pages 90-91 of this statement.

COMMITMENT TO ANTI-BRIBERY AND ANTI-CORRUPTION

I am pleased to report that our Anti-Bribery Policy Statement – which applies to all employees and sets out a zero-tolerance approach to bribery - is firmly in place. The Group also received the internationally recognised ISO 37001:2016 certification for our Anti-Bribery Management Systems (ABMS) during the year under review. This recognition followed a comprehensive gap analysis conducted early in 2019. Three key focus areas were examined – fraud, abuse of power and corruption. The results of the gap analysis led to training programmes and workshops that have reached out to all employees. SIRIM QAS, the conformity assessment body accredited by the Department of Standards Malaysia and the United Kingdom Accreditation Service, conducted comprehensive audits to verify that the roll-out of the ABMS throughout the Group was comprehensive and effective.

The ISO 37001:2016 standard meets the requirements set out in Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and the Guidelines on Adequate Procedures which will take effect from 1 June 2020 onwards. This standard is a guide to assist organisations in establishing, implementing, maintaining and enhancing anti-corruption programmes.

SUSTAINABILITY

The Board embodies and promotes a corporate culture based on sound ethical values and behaviours from the top down, and this guides the Group's objectives and strategy. We embed sustainability throughout our organisation and where possible, along our entire value chain. We are also aligning our sustainability efforts against the UN's Sustainable Development Goals, which encompass every area of fair, honest and responsible operation.

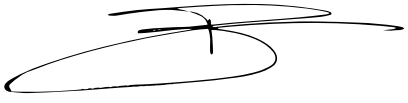
Where possible, we look to take these values into our relations with suppliers and customers, as well as embed them in our compliance and internal controls, employee management, engagement and reward systems and responsibility to the environment and local community. Our Group Sustainability Policy enables the Group to take all possible steps to ensure that the Group's activities will create trust and long-term value for the business, shareholders and stakeholders. In turn, a greater understanding of both sustainability risks and opportunities will enhance business and operational excellence which, ultimately, will help to progress our Group's strategic pursuits.

RELATIONS WITH STAKEHOLDERS

The Board and I recognise the responsibility we have to a range of stakeholders including our employees and workers, settlers, investors, customers and joint-venture partners, suppliers, the government, non-governmental organisations, regulatory bodies, the environment and the communities we operate in. We are committed to open an effective dialogue with shareholders and meetings have been held with a range of institutional shareholders in order to directly discuss our strategic objectives and governance practices. In addition, the AGM is an important opportunity for private investors to engage with the Board and all shareholders.

A FOCUS ON STRONG GOVERNANCE

We are focused on ensuring that integrity remains paramount in the conduct of our business across the Group. I would like to emphasise that the Board does not tolerate failure to comply with either our legal obligations or our internally mandated high standards of behaviour. With this in mind, the Group is well positioned to continue to improve its performance in future years. I believe that we have an experienced and committed Board of Directors who continue to focus on promoting the success and long-term sustainable value of the Group. We will continue to monitor the balance of skills, experience and knowledge on the Board and ensure that it remains appropriate and relevant to drive the Group's strategy forward over the coming years.



DATUK WIRA AZHAR ABDUL HAMID
Chairman

HOW WE ARE GOVERNED:
LEADERSHIP & EFFECTIVENESS

OUR GOVERNANCE AND INTEGRITY FRAMEWORK

The Board has in place a governance and integrity framework that underpins our ability to meet our responsibilities. This enables effective decision making within a structure of clear accountabilities.

We discharge some of our responsibilities through delegation to Board Committees. The Board Committees bring an increased focus on key areas and probe them more deeply, thereby gaining a greater understanding of the details.

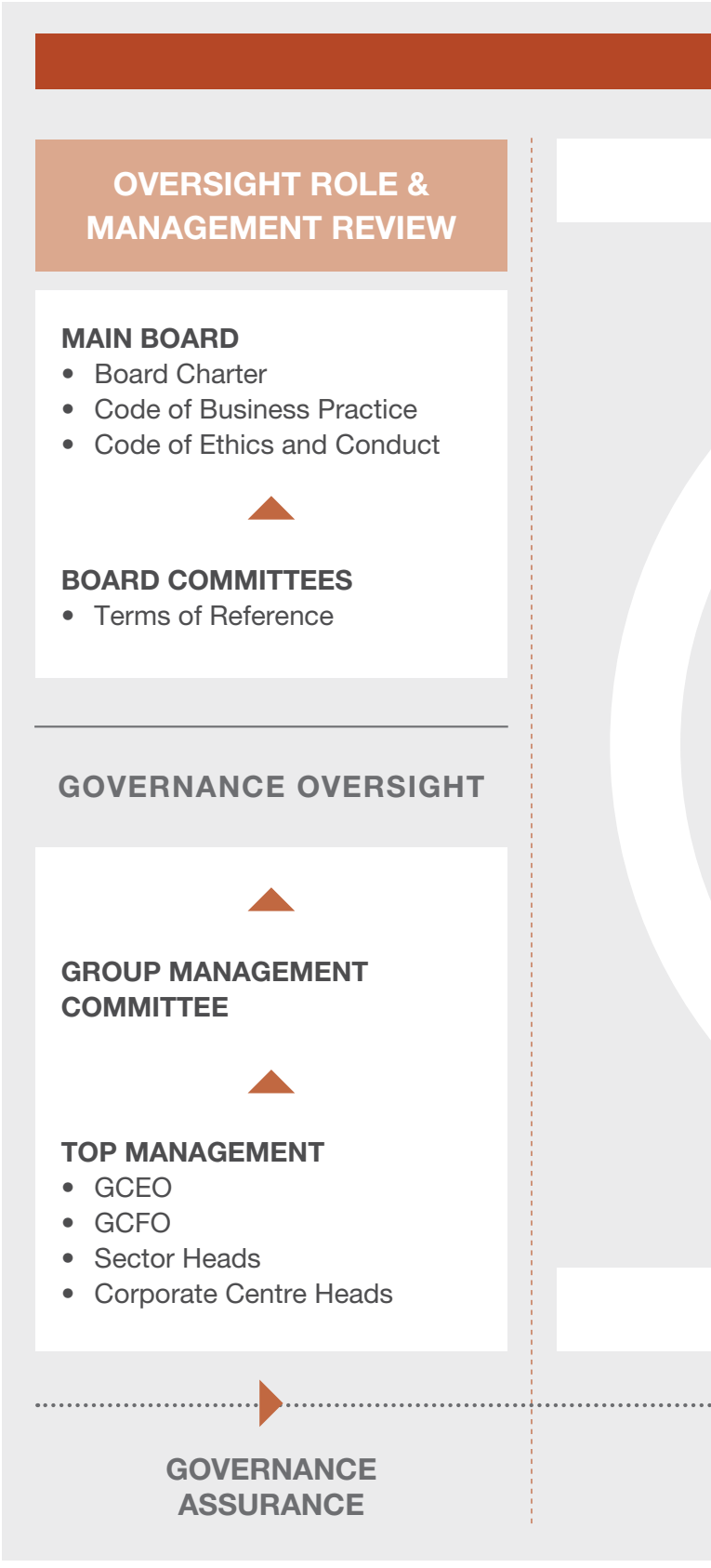
The Chairs of the Board Committees provide reports on the activities of their Committees at the next Board meeting, and recommendations from the Committees are presented to the Board where appropriate.

Any delegation of authority to Board Committees is formally documented in writing through Terms of Reference, while the Board maintains a schedule of key matters that are reserved for our decision. There is a clear division of responsibilities between the Chair and the GCEO. The execution of the strategy and the day-to-day management of the Group and operational matters are delegated to the GCEO.

In addition to the principal Board Committees, the Board has also delegated some responsibilities to the Group Management Committee. These include routine administrative matters and the approval of items where we have already approved the overarching principle.

OUR CORPORATE CULTURE AND VALUES

As a Board, we set the 'tone at the top' in directing FGV's culture and values. We continue to embrace our core values: Partnership, Respect, Integrity, Dynamism and Enthusiasm (P.R.I.D.E.), which we are proud of. The Board recognises the importance of adhering to these founding values during our transformational change. To help us achieve these objectives, we have strengthened our policies.



HOW WE ARE GOVERNED:
LEADERSHIP & EFFECTIVENESS

FGV GOVERNANCE AND INTEGRITY FRAMEWORK

Business Sectors | **Corporate Centres**

Operations | **Supporting Functions**

EXTERNAL REGULATORS & BEST PRACTICES

REGISTERED COMPANY
- Companies Commission of Malaysia (CCM)
  - Companies Act 2016

PLANTATION COMPANY
- Malaysian Palm Oil Certification Council (MPOCC)
  - Malaysian Sustainable Palm Oil Certificate (MSPO)
- Roundtable on Sustainable Palm Oil (RSPO)

PUBLIC LISTED COMPANY
- Bursa Malaysia Securities Berhad (Bursa Securities)
  - Bursa Securities Main Market Listing Requirements (Listing Requirements)
- Securities Commission
- MCCG 2017

GOVERNANCE PROCESS & CONTROL

GOVERNANCE REQUIREMENTS

HOW WE ARE GOVERNED:
LEADERSHIP & EFFECTIVENESS

BOARD COMPOSITION AND SKILLS

BOARD OF DIRECTORS

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

Representatives of FGV's Special Shareholder

Datuk Wira Azhar Abdul Hamid
Government Appointed Director
Attended 12 out of 12 Board Meetings
100%

Dr. Zunika Mohamed
Government Appointed Director
Appointed as Director on 10 February 2020

Mohd Hassan Ahmad
Government Appointed Director
Appointed as Director on 23 July 2019
Attended 10 out of 12 Board Meetings
83%

Dato' Dr. Noor Zari Hamat
Government Appointed Director
Appointed as Director on 23 July 2019
Ceased as Director on 22 January 2020
Attended 3 out of 5 Board Meetings
60%

Representative of FGV's Major Shareholder

Dato' Dr. Othman Haji Omar
Attended 12 out of 12 Board Meetings
100%

INDEPENDENT NON-EXECUTIVE DIRECTORS

Representatives of Minority Shareholders and the Public

Dato' Yusli Mohamed Yusoff
Attended 12 out of 12 Board Meetings
100%

Datuk Mohd Anwar Yahya
Attended 10 out of 12 Board Meetings
83%

Datin Hoi Lai Ping
Attended 12 out of 12 Board Meetings
100%

Dr. Mohamed Nazeeb P.Alithambi
Attended 12 out of 12 Board Meetings
100%

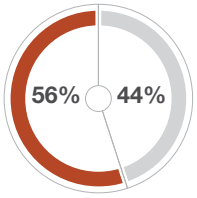
Dr. Nesadurai Kalanithi
Attended 11 out of 12 Board Meetings
92%

Dato' Mohamed Suffian Awang
Retired as Director on 25 June 2019
Attended 4 out of 6 Board Meetings
67%

Datuk Dr. Salmiah Ahmad
Resigned as Director on 5 December 2019
Attended 12 out of 12 Board Meetings
100%

Note: All meeting attendances are for FY2019

BOARD BALANCE AND COMPOSITION *



Independent Non-Executive Directors
Non-Independent Non-Executive Directors

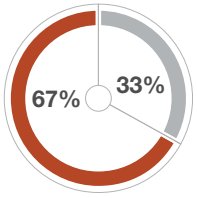
BOARD AGE DIVERSITY *

40 - 49 years 11%
50 - 59 years 33%
60 years and above 56%

BOARD TENURE *

Less than 1 year 12%
1 - 2 years 44%
2 - 3 years 44%

BOARD GENDER DIVERSITY *



Male Female

* As at 20 March 2020

SKILLS AND EXPERIENCE

- Specific Industry Experience and Knowledge
- Financial Acumen (Finance/ Accounting/ Taxation/ IFRS/ MFRS)
- Strategic Thinking, Planning and Communication
- Risk Management and Internal Controls
- Public Policy and Regulatory
- Corporate Governance
- Corporate Knowledge
- Human Capital Management
- Mergers & Acquisitions and Corporate Global Experience

HOW WE ARE GOVERNED: LEADERSHIP & EFFECTIVENESS

INED - Independent Non-Executive Director **NINED** - Non-Independent Non-Executive Director

Chairman Member

AUDIT COMMITTEE (AC)

Datuk Mohd Anwar Yahya
INED
Appointed: 23 November 2017
Attendance: 9 out of 9
100%

Mohd Hassan Ahmad
NINED
Appointed: 26 September 2018
Attendance: 6 out of 9
67%

Datin Hoi Lai Ping
INED
Appointed: 6 September 2018
Attendance: 9 out of 9
100%

Datuk Dr. Salmiah Ahmad
INED
Appointed: 15 July 2019
Resigned: 5 December 2019
Attendance: 4 out of 4
100%

NOMINATION AND REMUNERATION COMMITTEE (NRC)

Dato' Yusli Mohamed Yusoff
INED
Appointed: 6 September 2018
Attendance: 10 out of 10
100%

Datin Hoi Lai Ping
INED
Appointed: 15 July 2019
Attendance: 5 out 5
100%

Dr. Nesadurai Kalanithi
INED
Appointed: 15 July 2019
Attendance: 2 out of 2
100%

Dr. Zunika Mohamed
NINED
Appointed: 10 February 2020

Dato' Mohamed Suffian Awang
INED
Appointed: 20 January 2015
Resigned: 25 June 2019
Attendance: 5 out of 5
100%

Dato' Dr. Noor Zari Hamat
NINED
Appointed: 23 July 2019
Resigned: 22 January 2020
Attendance: 2 out of 2
100%

BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE (BGRMC)

Dato' Yusli Mohamed Yusoff
INED
Appointed: 6 September 2018
Attendance: 5 out of 5
100%

Dr. Zunika Mohamed
NINED
Appointed: 10 February 2020

Dato' Dr. Noor Zari Hamat
NINED
Appointed: 23 July 2019
Resigned: 22 January 2020
Attendance: 1 out of 2
50%

Dr. Nesadurai Kalanithi
INED
Appointed: 15 July 2019
Attendance: 2 out of 2
100%

Datuk Dr. Salmiah Ahmad
INED
Appointed: 23 November 2017
Resigned: 5 December 2019
Attendance: 5 out of 5
100%

INVESTMENT COMMITTEE (IC)

Datin Hoi Lai Ping
INED
Appointed: 6 September 2018
Attendance: 6 out of 6
100%

Dato' Yusli Mohamed Yusoff
INED
Appointed: 15 July 2019
Attendance: 3 out of 3
100%

Dr. Mohamed Nazeeb P.Alithambi
INED
Appointed: 23 November 2017
Attendance: 6 out of 6
100%

Dato' Dr. Othman Haji Omar
NINED
Appointed: 1 October 2018
Attendance: 5 out of 6
83%

Dato' Mohamed Suffian Awang
INED
Appointed: 20 January 2015
Resigned: 25 June 2019
Attendance: 3 out of 3
100%

BOARD TENDER COMMITTEE (BTC)

Dr. Mohamed Nazeeb P.Alithambi
INED
Appointed: 26 September 2018
Attendance: 7 out of 7
100%

Datuk Mohd Anwar Yahya
INED
Appointed: 23 July 2019
Attendance: 3 out of 3
100%

Mohd Hassan Ahmad
NINED
Appointed: 26 September 2018
Attendance: 6 out of 7
86%

Dato' Mohamed Suffian Awang
INED
Appointed: 1 June 2017
Resigned: 25 June 2019
Attendance: 4 out of 4
100%

Datuk Dr. Salmiah Ahmad
INED
Appointed: 23 July 2019
Resigned: 5 December 2019
Attendance: 3 out of 3
100%

SPECIAL BOARD COMMITTEE 1 (SBC 1)

Datuk Mohd Anwar Yahya
INED
Appointed: 30 January 2018
Attendance: 5 out of 5
100%

Mohd Hassan Ahmad
NINED
Appointed: 26 September 2018
Attendance: 5 out of 5
100%

Dr. Mohamed Nazeeb P.Alithambi
INED
Appointed: 14 February 2018
Attendance: 5 out of 5
100%

Dr. Nesadurai Kalanithi
INED
Appointed: 30 January 2018
Attendance: 5 out of 5
100%

HOW WE ARE GOVERNED: LEADERSHIP & EFFECTIVENESS

OUR BOARD

Full biographical details of each Director, with information on date of appointment to the Board, membership in Board Committees, qualifications, working experience and occupation, directorships in other public companies and number of Board meetings attended in the financial year, are available on our website at www.fgvholdings.com

MEMBERSHIP IN BOARD COMMITTEE — A Audit Committee | N Nomination and Remuneration Committee | G Board Governance & Risk Management Committee

Representatives of FGV's Special Shareholder

DATUK WIRA AZHAR ABDUL HAMID
Chairman, Non-Independent Non-Executive Director

Malaysian, 58

Tenure: More than 2 years **Appointment to the Board:** 8 September 2017

Skills and Experience:
- Financial acumen (finance/accounting/taxation/IFRS/MFRS)
- Strategic thinking, planning and communication
- Risk management and internal controls
- Corporate knowledge
- Mergers & acquisitions and corporate global experience

Directorships in other Public Companies:
Chairman, MSM Malaysia Holdings Berhad
Director, Icon Offshore Berhad and Hume Industries Berhad

DR. ZUNIKA MOHAMED
Non-Independent Non-Executive Director

Malaysian, 51 — N G

Tenure: Less than 1 year **Appointment to the Board:** 10 February 2020

Skills and Experience:
- Public policy and regulatory
- Specific industry experience and knowledge

Directorships in other Public Companies:
Nil

MOHD HASSAN AHMAD
Non-Independent Non-Executive Director

Malaysian, 45 — A T S

Tenure: More than 1 year **Appointment to the Board:** 26 September 2018

Skills and Experience:
- Public policy and regulatory
- Financial acumen (finance/accounting/taxation/IFRS/MFRS)

Directorships in other Public Companies:
Director, Keretapi Tanah Melayu Berhad

Representative of FGV's Major Shareholder

DATO' DR. OTHMAN HAJI OMAR
Non-Independent Non-Executive Director

Malaysian, 60 — I

Tenure: More than 1 year **Appointment to the Board:** 1 October 2018

Skills and Experience:
- Specific industry experience and knowledge
- Strategic thinking, planning and communication
- Risk management and internal controls
- Corporate knowledge
- Public policy and regulatory

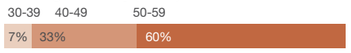
Directorships in other Public Companies:
Nil

OUR MANAGEMENT

The Group Management Committee (GMC) was established to support the GCEO in the stewardship of the Group and to centrally monitor the Group's management and business operations. This is to achieve FGV Group's vision, mission and strategies through good corporate governance and sound risk management and control principles. This is also to ensure that business and control practices are aligned with the directions, guidance, decisions and policies of the Board and the Board Committees.The GMC meets once a month or more frequently as circumstances dictate. The GMC held 16 meetings in FY2019.

GMC Gender Diversity:

GMC Age Diversity (Years):



Full biographical details of each GMC member with information on date of appointment to the position, qualifications, working experience, occupation and directorships in other public companies are available on our website at www.fgvholdings.com

None of the GMC members have any conflict of interest with the Company, family relationship with any Director and/or Major Shareholder or have any convictions for offences (other than traffic offences) within the past five years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Group Management Committee

DATO' HARIS FADZILAH HASSAN
Group Chief Executive Officer

Malaysian, 53

Tenure: More than 1 year
Appointed to the position: 23 January 2019

Qualifications and Experience:
Dato' Haris Fadzilah has more than 30 years of experience in strategy and business development, project management and operations in several industries including oil & gas, automobile and plantations. Prior to joining FGV as GCEO, he held Top Management positions in PROTON, Golden Hope Plantations and Synergy Drive, as well as Sime Darby Plantation Berhad and Mass Rapid Transit Corporation Sdn. Bhd. He holds a Master and Bachelor of Business Administration from the University of Miami, USA and has attended the Advanced Management Programme at Columbia Business School, New York, USA, as well as the Senior Management Development Programme of the Harvard Business School Alumni Club of Malaysia.

Directorships in other public companies:
Director, MSM Malaysia Holdings Berhad

DATO' MOHD HAIRUL ABDUL HAMID
Group Chief Financial Officer

Malaysian, 50

Tenure: More than 1 year
Appointed to the position: 2 January 2019

Qualifications and Experience:
Dato' Mohd Hairul is a Chartered Accountant and his vast experience and expertise have seen him attain senior leadership roles in Sime Darby Plantation Berhad (SDP), Consolidated Plantations Berhad (SDP's wholly-owned subsidiary) and Mass Rapid Transit Corporation Sdn. Bhd. He is a Fellow of the Association of Chartered Certified Accountants and a Member of the Malaysian Institute of Accountants.

Directorships in other public companies:
Director, Felda Holdings Berhad

SYED MAHDHAR SYED HUSSAIN
Chief Operating Officer, Plantation Sector

Malaysian, 59

Tenure: More than 1 year
Appointed to the position:
12 November 2018

Qualifications and Experience:
Syed Mahdhar has more than 34 years of experience as a scientist in the agricultural sector. His experience has led him to Senior Management positions in Kumpulan Guthrie Berhad and Mass Rapid Transit Corporation Sdn. Bhd. Prior to his current position, he was Group Chief Transformation Officer, where he led the Group's turnaround plan, and was then redesignated as Chief Operating Officer, Plantation Sector and Head, Palm Upstream Cluster in November 2018. He holds a Bachelor (Honours) of Chemistry from the University of Science Malaysia.

Directorships in other public companies:
Nil

AZMAN AHMAD
Chief Operating Officer,
Logistics & Others Sector

Malaysian, 58

Tenure: More than 2 years
Appointed to the position: 1 January 2018

Qualifications and Experience:
Azman possesses over 30 years of experience in operations in the logistics industry. Before joining FGV in 2013, he served as Chief Executive Officer of Felda-Johore Bulkers Sdn. Bhd. (now known as FGV Johor Bulkers Sdn. Bhd.). Prior to his present position, he served as Executive Vice President, Palm Downstream Cluster and later headed the Logistics Cluster. He has a Bachelors degree in Maritime Technology from the University of Wales Institute of Science and Technology, UK and also a Diploma in Management from the Malaysian Institute of Management.

Directorships in other public companies:
Nil

DATO' KHAIRIL ANUAR AZIZ
Group Chief Executive Officer,
MSM Malaysia Holdings Berhad

Malaysian, 53

Tenure: More than 1 year
Appointed to the position: 23 April 2019

Qualifications and Experience:
Dato' Khairil Anuar has more than 25 years of experience in marketing, sales and international business. Prior to joining FGV, he was Executive Chairman of GSSB Consulting Sdn. Bhd. At FGV, he has served as Chief Operating Officer, Domestic Business Operations and Executive Vice President, TML Cluster before being appointed as Chief Operating Officer, Logistics & Others Sector. Subsequently, he was made Executive Director of MSM Malaysia Holdings Berhad while concurrently holding the role of Chief Operating Officer, Sugar Sector. He holds a Bachelor of Business Administration from the Coventry University, UK.

Directorships in other public companies:
Director, MSM Prai Berhad and Pelaburan MARA Berhad

SALMAN GHAZALI
Group Chief Strategy Officer

Malaysian, 38

Tenure: Less than 1 year
Appointed to the position: 13 September 2019

Qualifications and Experience:
Prior to his appointment as Group Chief Strategy Officer at FGV, Salman had accumulated 15 years of experience in corporate finance and business development working at Sime Darby Plantation Berhad, Emery Oleochemicals (M) Sdn. Bhd., Petroliam Nasional Berhad, Khazanah Nasional Berhad, RM Capital Partners & Associates Sdn. Bhd., a private equity firm and Bank Pembangunan Malaysia Berhad. Salman holds a Bachelor of Accounting and Finance from the London School of Economics & Political Science, UK.

Directorships in other public companies:
Nil

DATO' NAJMUDDIN ABDULLAH
Group Chief Strategic Communication Officer

Malaysian, 51

Tenure: Less than 1 year
Appointed to the position: 2 March 2020

Qualifications and Experience:
Dato' Najmuddin has over 20 years of strategic and corporate communications experience across a variety of industries. Prior to joining FGV, he held senior communications roles at Mass Rapid Transit Corporation Sdn. Bhd. and Malaysia Airlines Berhad. He holds a Master and a Bachelor of Arts Degrees in Economics from the University of Toledo, Ohio, USA and has a Diploma in Public Administration from Universiti Teknologi MARA. He also attended the Advanced Management Programme at Columbia Business School, New York, USA and the Accelerating Your Impact Programme for High-Potential Leaders at The Wharton School, University of Pennsylvania, USA.

Directorships in other public companies:
Nil

HOW WE ARE GOVERNED: LEADERSHIP & EFFECTIVENESS

Board activities are listed out on pages 90-91.

I Investment Committee T Board Tender Committee S Special Board Committee 1

None of the Directors have any conflict of interest with the Company, family relationship with any Director and/or Major Shareholder or have any convictions for offences (other than traffic offences) within the past five years or any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Representatives of Minority Shareholders and the Public

DATO' YUSLI MOHAMED YUSOFF

Deputy Chairman, Independent Non-Executive Director

Malaysian, 61 — N G I

Tenure: More than 1 year **Appointment to the Board:** 6 September 2018

Skills and Experience:
- Strategic thinking, planning and communication
- Financial acumen (finance/accounting/taxation/IFRS/MFRS)
- Risk management and internal controls
- Corporate governance
- Corporate knowledge
- Public policy and regulatory
- Mergers & acquisitions and corporate global experience

Directorships in other Public Companies:
Chairman, KPJ Healthcare Berhad and Mudajaya Group Berhad
Director, Westports Holdings Berhad and AirAsia X Berhad

DATUK MOHD ANWAR YAHYA

Independent Non-Executive Director

Malaysian, 65 — A T S

Tenure: More than 2 years **Appointment to the Board:** 23 November 2017

Skills and Experience:
- Financial acumen (finance/accounting/taxation/IFRS/MFRS)
- Corporate governance
- Mergers & acquisitions and corporate global experience

Directorships in other Public Companies:
Director, Maybank Islamic Berhad, Fraser & Neave Holdings Berhad, Pelaburan Hartanah Nasional Berhad and Amanah Saham Nasional Berhad

DATIN HOI LAI PING

Independent Non-Executive Director

Malaysian, 58 — A N I

Tenure: More than 1 year
Appointment to the Board: 6 September 2018

Skills and Experience:
- Financial acumen (finance/accounting)
- Corporate governance
- Corporate knowledge
- Human capital management
- Mergers & acquisitions and corporate global experience

Directorships in other Public Companies:
Director, Zurich Life Insurance Malaysia Berhad

DR. MOHAMED NAZEEB P.ALITHAMBI

Independent Non-Executive Director

Malaysian, 67 — I T S

Tenure: More than 2 years
Appointment to the Board: 31 October 2017

Skills and Experience:
- Specific industry experience and knowledge

Directorships in other Public Companies:
Nil

DR. NESADURAI KALANITHI

Independent Non-Executive Director

Malaysian, 63 — N G S

Tenure: More than 2 years
Appointment to the Board: 1 January 2018

Skills and Experience:
- Specific industry experience and knowledge

Directorships in other Public Companies:
Nil

AFFAN MOHD NAWI

Chief Transformation Officer

Malaysian, 46

Tenure: Less than 1 year
Appointed to the position: 17 September 2019

Qualifications and Experience:
Affan previously held business-process transformation, turnaround, corporate services and strategic planning roles at Petroliam Nasional Berhad, A.T. Kearney, Inc., Khazanah Nasional Berhad, UEM Builders Berhad, Telekom Malaysia Berhad, Malakoff Corporation Berhad and Lembaga Tabung Haji. He holds a Master of Information Systems and a Bachelor's Degree in Information and Decision Science from Carnegie Mellon University, USA. He also has a Premium Business Management Programme Certification from Harvard Business School, USA.

Directorships in other public companies:
Nil

SITI NORBAYA MOHAMMAD SARIF

Chief Human Resources Officer

Malaysian, 55

Tenure: Less than 1 year
Appointed to the position: 14 October 2019

Qualifications and Experience:
Siti Norbaya has 30 years of experience in human resources management in various industries, including telecommunications, technology, infrastructure, logistics and semiconductor. She holds a Master of Human Resources Development from University of Hull, UK and Master of Business Administration as well as Bachelor of Business Management & Human Resources from Arkansas State University, USA.

Directorships in other public companies:
Nil

WAN NORMAN NASIR

Head, Group Governance & Risk Management

Malaysian, 47

Tenure: Less than 1 year
Appointed to the position: 1 May 2019

Qualifications and Experience:
Wan Norman has over 15 years of experience in risk and policy management in the banking sector. This experience has seen him serving in Senior Management positions in leading banks in Malaysia. He joined FGV as Chief Risk Officer in 2015 and was redesignated as Head, Group Governance & Risk Management in 2019. He has a Bachelor of Laws (Honours) from King's College London, UK and a Master of Business Administration from The University of Nottingham, UK.

Directorships in other public companies:
Nil

ZALILY MOHAMED ZAMAN KHAN

Chief Internal Auditor

Malaysian, 53

Tenure: More than 8 years
Appointed to the position: 1 March 2012

Qualifications and Experience:
Zalily is a Chartered Accountant with the Malaysian Institute of Accountants as well as a Fellow of CPA Australia. She has over 20 years of experience in internal and external audit from her tenure at Arthur Andersen & Co, Sapura Telecommunications Berhad, Golden Hope Plantations Berhad, Sime Darby Berhad and Boustead Holdings Berhad. She is a Certified Internal Auditor of the Institute of Internal Auditors (IIA), USA and has served as a member of the Institute of Internal Auditors Malaysia's Research and Technical Advisory Committee. She also holds a Bachelor of Accountancy from the University of South Australia.

Directorships in other public companies:
Nil

KOO SHUANG YEN

Head, Group Secretarial & Company Secretary

Malaysian, 57

Tenure: More than 5 years
Appointed to the position: 1 July 2014

Qualifications and Experience:
Koo Shuang Yen is a Chartered Accountant with almost 30 years of experience in finance, accounting and corporate secretarial practice, including a diverse range of corporate exercises such as listings, mergers and acquisitions and joint ventures. Prior to joining FGV Holdings Berhad, she held the post of Senior General Manager of Group Finance in Felda Holdings Berhad. She is also the Company Secretary of MSM Malaysia Holdings Berhad and its Group of Companies. She is an Associate of the Chartered Institute of Management Accountants, UK.

Directorships in other public companies:
Nil

NURUL HASANAH AHAMED HASSAIN MALIM

Head, Group Sustainability

Malaysian, 40

Tenure: Less than 1 year
Appointed to the position: 1 March 2019

Qualifications and Experience:
Nurul Hasanah has 17 years of experience in human rights advocacy, law and policy development. She previously led various departments at the Human Rights Commission of Malaysia for 15 years, before joining Earthworm Foundation, an international non-profit organisation focusing on environmental, social and human rights. Nurul Hasanah holds a Bachelor in Law (Honours) from the International Islamic University, Malaysia and a Master in Human Rights Law from The University of Nottingham, UK. She was a recipient of the British Foreign Commonwealth Office Chevening Fellowship Award in 2006.

Directorships in other public companies:
Nil

NOR MARHAMAH YAHYA

General Counsel, Group Legal

Malaysian, 43

Tenure: Less than 1 year
Appointed to the position: 1 August 2019

Qualifications and Experience:
Nor Marhamah has more than 17 years of experience in corporate and commercial law from her former roles at BUSTAMAN, M.Y. Nor & Partners, Astro Entertainment Sdn. Bhd., Astro Productions Sdn. Bhd. and MEASAT Broadcast Network Systems Sdn. Bhd. Nor Marhamah holds a Bachelor of Laws (Honours) from MARA University of Technology, Malaysia.

Directorships in other public companies:
Nil

SHAHARIZAN YUNUS

Head, Group Health, Safety & Environment

Malaysian, 41

Tenure: Less than 1 year
Appointed to the position: 15 November 2019

Qualifications and Experience:
Shaharizan has extensive experience in occupational health and safety from his tenure at NIOSH Malaysia Sdn. Bhd., Gas Malaysia Berhad, KLCC Urusharta Sdn. Bhd., IGB Corporation Berhad, ABB Malaysia Sdn. Bhd., Lloyd's Register (LR) Malaysia & Brunei and RAPID Pengerang Project Package. He holds a Bachelor (Honours) of Marine Science from the National University of Malaysia and a Safety and Health Officer Certificate as well as a Train the Trainer Certificate from NIOSH. He is a Qualified Internal Auditor for QMS, EMS, OHSAS Management System and a Qualified Incident Command System Silver Commander.

Directorships in other public companies:
Nil

HOW WE ARE GOVERNED: LEADERSHIP & EFFECTIVENESS

BOARD ACTIVITIES

WHAT THE BOARD DID THIS YEAR

Board activities are structured to develop the Group's strategy and to enable the Board to support executive management in the delivery of the Group's strategy within a transparent governance framework. Key matters considered by the Board in 2019 were as follows:

STRATEGY, RISK AND SUSTAINABILITY

- Business Plan 2019-2021 (BP21) and Budget 2020 for FGV Group
- 2020 Top Management Key Performance Indicators (KPI)
- FGV Group Quarterly Risk Report
- Scenario Analysis Mitigation
- Expansion of FGV Group's Risk Appetite Statement
- Enhanced mechanism for Project Risk Assessment
- Risk Scenario Analysis
- Revision of organisation structure
- Group Sustainability Framework and Strategies 2020-2023

INVESTMENTS AND DIVESTMENTS

- Rationalisation and Action Plans for Non-Core Business
- Liquidation, striking off and winding up of FGV subsidiaries and joint venture companies
- Memorandum of Understanding (MoU) and Heads of Agreement (HoA)
- Restructuring of FGV subsidiaries
- Integrated farming business

GOVERNANCE

- Revision of Board Charter, Terms of Reference of Board Committees, FGV Board Nomination and Election Policy and Procedures, Board Remunerations Policy, Group Human Capital Policies, Group Information and Communication Technology Policies, Group Sustainability Policy, Group Commodity Trading Policy, Corporate Responsibility Policy, Sponsorship and Donations Policy, Advertising & Promotions Policy, Event Management Policy, Group Internal Audit Charter, Finance Policies and Procedures and Group Procurement Policy
- Establishment of Group's Limit of Authorities, FGV Governance of Policies and Procedures, FGV Corporate Governance and Business Integrity Blueprint, Governance and Integrity Framework, Conflict of Interest Policy, Referral Policy and Management of Classified Document Policy
- Anti-Bribery Management Systems Manual and enhanced the Corporate Governance and Business Integrity Blueprint to the FGV Anti-Corruption Plan
- Schedule of FGV Board Meetings for the year 2020
- Status of compliance to MCCG 2017
- Material litigation updates within the Group
- Internal investigations
- Forensics and associated processes related to the Group's past investments

SUCCESSION PLANNING, APPOINTMENTS AND REMUNERATION

- Board Performance Evaluation (assessment of the effectiveness of the Board as a whole, the Board Committees and each individual Director)
- Annual assessment on the independence of the Independent Directors of FGV
- Board Improvement Plans
- Board Succession Planning Framework
- Revision of composition of FGV Board Committees
- Appointment of Government Appointed Director
- Re-election of Directors
- Appointment of Nominee Director of FGV in MSM Malaysia Holdings Berhad
- Appointment of Nominee Directors of Koperasi Permodalan Felda Malaysia Berhad in FGV Group
- Annual fees for the Board and the Board Committees
- Appointment of Top Management
- Salary adjustment of Top Management
- Succession Planning of Top Management
- Extension of Fixed-Term Contracts for Top Management
- Remuneration package of the GCEO
- Remuneration and benefits for employees of FGV Group
- Annual salary increment for employees of FGV Group
- Minimum wage implementation proposal for the year 2020
- Revision of the performance management framework

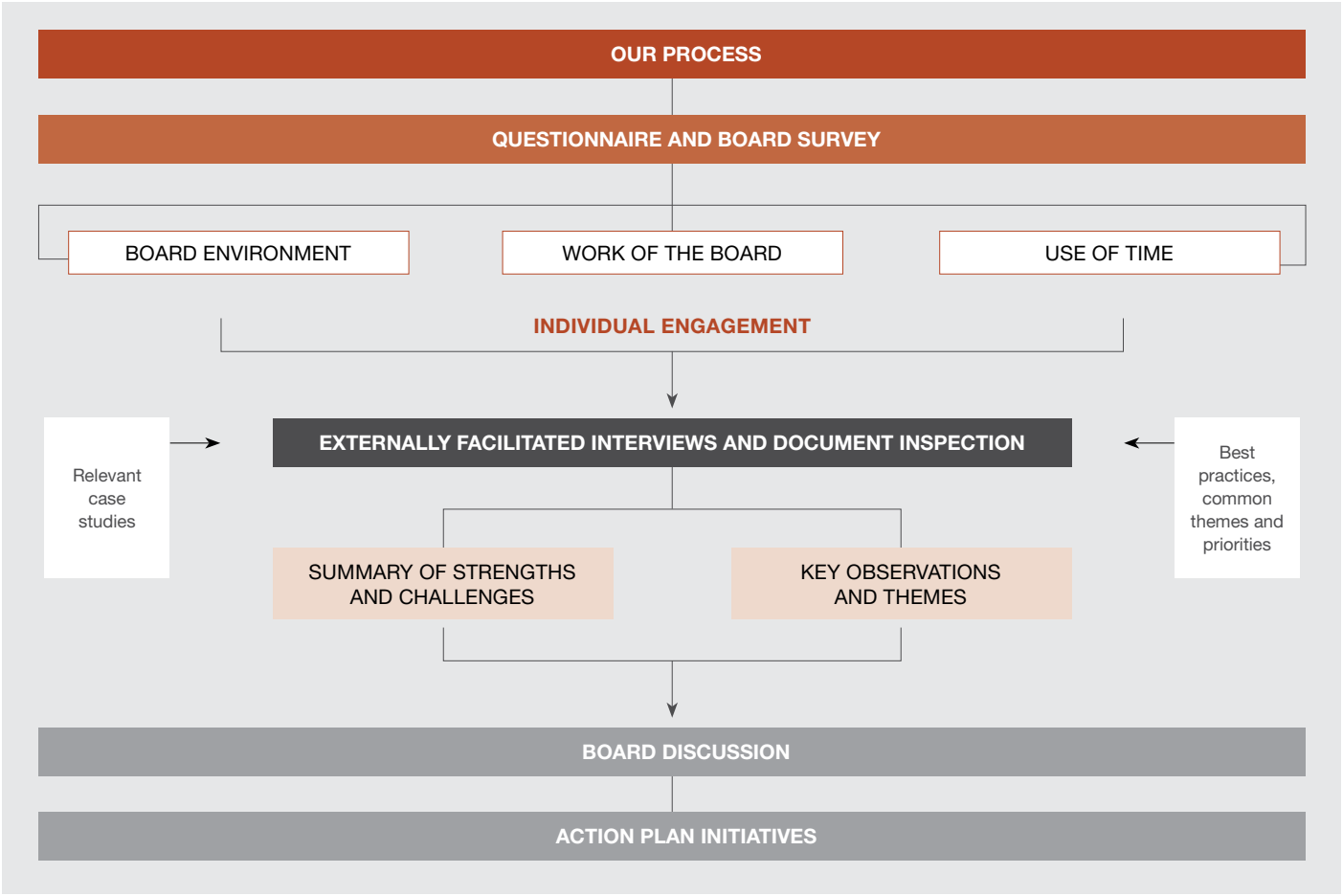
HOW WE ARE GOVERNED: LEADERSHIP & EFFECTIVENESS

BOARD ACTIVITIES

FINANCIAL

- Financial Statements for FY2018
- Quarterly Report on Consolidated Results
- FGV Group's recurrent related party transactions
- Reappointment of external auditor for FY2019
- Audit fee for FGV Group for FY2019
- FGV and FGV Group's financial performance against budget and key performance targets
- Group-wide Cost Optimisation Exercise
- The Annual Integrated Report 2018 including the Chairman's Statement, GCEO's Message, Management Discussion & Analysis, CGOS, Board Committees' Reports, Statement on Risk Management and Internal Control and Sustainability Statement

BOARD PERFORMANCE EVALUATION



More information on the Board Performance Evaluation process can be found in the Corporate Governance Report on our website at www.fgvholdings.com

HOW WE ARE GOVERNED:
LEADERSHIP & EFFECTIVENESS

RESPONSIBILITIES, OVERSIGHT AND INDEPENDENCE

BOARD COMMITTEES

The Board delegates certain responsibilities to several Board Committees, which operate within clearly defined Terms of Reference, primarily to assist the Board in discharging its responsibilities whilst the ultimate responsibility for the final decision lies with the full Board.

All deliberations and decisions taken by the Board Committees are documented and recommended by the respective Board Committees prior to submission as Board papers for deliberation at Board meetings. The Board reviews the Board Committees' authorities and Terms of Reference from time to time to ensure their relevance.

The Terms of Reference of the Board Committees (Audit Committee, Nomination and Remuneration Committee, Board Governance & Risk Management Committee, Board Tender Committee and Investment Committee) are available on our website, www.fgvholdings.com

The Board Committees' composition and the record of their attendance can be found on page 89.

AUTHORITY LIMITS

The FGV Board's delegation of powers to the Board Committees and the GCEO is aligned with the Board Charter and is expressly set out in the approved Group's Limit of Authorities. The limits establish a sound framework of authority and accountability within the Group, including segregation of duties, which facilitates timely, effective and quality decision making at the appropriate levels in the Group's hierarchy.

HOW WE ARE GOVERNED: LEADERSHIP & EFFECTIVENESS

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

An induction programme is conducted for newly appointed Directors via a briefing by the GMC members to provide Directors with the necessary information to assist him or her in understanding the operations of the Group, current issues and corporate strategies, as well as the Management structure of the Group. Save for Dr. Zunika Mohamed, all Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) as required by the Bursa Securities Listing Requirements. Dr. Zunika Mohamed shall be attending and will complete the MAP within the prescribed time set out by the Bursa Securities Listing Requirements.

All Directors are encouraged to attend continuous education programmes, talks, seminars, workshops and conferences to enhance their skills and knowledge, and to ensure Directors keep abreast with new developments and legislation affecting the business. On an on-going basis, FGV identifies conferences and seminars that are beneficial for the Directors to attend. FGV provides a dedicated training budget for Directors' continuous development.

During the year 2019, the Directors attended the following training programmes:

TRAINING PROGRAMMES ATTENDED BY THE BOARD IN 2019	
DATUK WIRA AZHAR ABDUL HAMID	• Seminar 2019 - Dialogue and Soft Launch of 'Love My Palm Oil' Campaign with the Minister of Primary Industries Malaysia – Malaysian Palm Oil Council (MPOC) • 2019 Price Outlook Workshop – In-House Training Programme • Boardroom Colloquium on Innovation Governance – MeLearn Global • Palm and Lauric Oils Price Outlook Conference and Exhibition (POC2019) – Bursa Malaysia Derivatives Berhad (BMD) • Kuala Lumpur Business Club (KLBC) Fireside Chat with Tan Sri Datuk Dr Rebecca Fatima Sta Maria, Executive Director of the Asia-Pacific Economic Cooperation (APEC) Secretariat • Integrated Reporting (IR): Communicating Value Creation – Bursa Malaysia Berhad • Understanding Corporate Liability – In-House Training Programme - 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. • Audit Oversight Board Conversation with Audit Committees – Securities Commission Malaysia
MOHD HASSAN AHMAD	• Mandatory Accreditation Programme – The ICLIF Leadership and Governance Centre • Board Visit to Model Mill Kilang Sawit Besout, Perak – In-House Programme • Understanding Corporate Liability – In-House Training Programme - 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. • Malaysian Financial Reporting Standards (MFRS) Training – In-House Training Programme by Messrs. PricewaterhouseCoopers PLT
DATO' DR. OTHMAN HAJI OMAR	• Mandatory Accreditation Programme – The ICLIF Leadership and Governance Centre • Board Visit to Model Estate Ladang Tembangau 06, Pahang – In-House Programme • Board Visit to Model Mill Kilang Sawit Besout, Perak – In-House Programme • MFRS Training – In-House Training Programme by Messrs. PricewaterhouseCoopers PLT
DATO' YUSLI MOHAMED YUSOFF	• Let's Get Real on Anti-Bribery – The ICLIF Leadership and Governance Centre • Understanding Corporate Liability – In-House Training Programme - Section 17A Malaysian Anti-Corruption Commission Act 2009 : Offence by Commercial Organisation, 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. • Diversity Experience – Bursa Malaysia Berhad • Malaysian Financial Reporting (MFRS) Training 16 Leases – Deloitte Malaysia • Financing the Sustainable Development Goals (SDGs) – Malaysian Private Sector Role in Bridging the Gap from Goals to Actions – Global Compact Network Malaysia & United Nations Malaysia • Board Visit to Model Estate Ladang Tembangau 06, Pahang – In-house Programme • Board Visit to Model Mill Kilang Sawit Besout, Perak – In-house Programme • Board Visit to FGV operations in Johor – FGV Johor Bulkers Sdn. Bhd., FGV Transport Services Sdn. Bhd., Pasir Gudang Depot, Delima Oil Products Sdn. Bhd., MSM Malaysia Holdings Berhad - MSM Sugar Refinery (Johor) Sdn. Bhd. and FGV Fertiliser Sdn. Bhd. – In-house Programme

HOW WE ARE GOVERNED:
LEADERSHIP & EFFECTIVENESS

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

TRAINING PROGRAMMES ATTENDED BY THE BOARD IN 2019	
DR. MOHAMED NAZEEB P.ALITHAMBI	• Board Visit to FGV operations in Johor – FGV Johor Bulkers Sdn. Bhd., FGV Transport Services Sdn. Bhd., Pasir Gudang Depot, Delima Oil Products Sdn. Bhd., MSM Malaysia Holdings Berhad - MSM Sugar Refinery (Johor) Sdn. Bhd. and FGV Fertiliser Sdn. Bhd. – In-House Programme • Understanding Corporate Liability – In-House Training Programme - Section 17A Malaysian Anti-Corruption Commission Act 2009 : Offence by Commercial Organisation, 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. • MFRS Training – In-House Training Programme by Messrs. PricewaterhouseCoopers PLT
DATUK MOHD ANWAR YAHYA	• Breakfast Talk on Digital Ethics and Sustainability • Financial Institutions Directors' Education (FIDE) Core Programme – Module B - The ICLIF Leadership and Governance Centre • Annual Report - What a Director Must Know – Bursatra Sdn. Bhd. • Capital Markets Directors Programme – Securities Industry Development Corporation (SIDC) - Module 1: Directors as Gatekeepers of Market Participants - Module 2B: Business Challenges and Regulatory Expectations - What Directors Need to Know (Fund Management) • Understanding Corporate Liability – In-House Training Programme - Section 17A Malaysian Anti-Corruption Commission Act 2009 : Offence by Commercial Organisation, 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. • Thought Leadership Series – The Convergence of Digitisation and Sustainability – Bursa Malaysia Berhad • Business Foresight Forum (BFF) 2019: New Business Directions 2025 - Catalysts for Change – Securities Commission • PNB Corporate Summit 2019 – Rebooting Corporate Malaysia – PNB Research Institute • Malaysia Reit Forum 2019 – Opportunities in the New Malaysia - Malaysian Reit Managers Association (MRMA) & Asia Pacific Real Estate Association (APREA) • Audit Oversight – Board Conversation with Audit Committees – Securities Commission Malaysia • MFRS Training – In-House Training Programme by Messrs. PricewaterhouseCoopers PLT
DR. NESADURAI KALANITHI	• A Boardroom Colloquium on Innovation Governance – MeLearn Global • Palm and Lauric Oils Price Outlook Conference and Exhibition (POC2019) – Bursa Malaysia Derivatives Berhad (BMD) • Annual Report – What a Director Must Know – Bursatra Sdn. Bhd. • Understanding Corporate Liability – In-House Training Programme - Section 17A Malaysian Anti-Corruption Commission Act 2009 : Offence by Commercial Organisation, MACC • Leadership Greatness in Turbulent Times : Building Corporate Longevity – Bursa Malaysia Berhad • Cyber Security in the Boardroom – Accelerating from Acceptance to Action – Bursa Malaysia Berhad • Sustainability Advocacy Programme: Recommendations of the TCFD (Non-Financial Sector) – Bursa Malaysia Berhad • The Cooler Earth: Sustainability Summit - Day 1 Masterclass – The Cooler Earth • Board Visit to FGV operations in Johor – FGV Johor Bulkers Sdn. Bhd., FGV Transport Services Sdn. Bhd., Pasir Gudang Depot, Delima Oil Products Sdn. Bhd., MSM Malaysia Holdings Berhad - MSM Sugar Refinery (Johor) Sdn. Bhd. and FGV Fertiliser Sdn. Bhd. – In-House Programme • International Directors Summit 2019 – The Trust Compass: Resetting The Course – Institute of Corporate Directors Malaysia (ICDM)
DATIN HOI LAI PING	• Advanced Audit and Assurance – CPA Australia • Reading the Signs: The Next Financial Crisis and Potential Impact on Asia by Andy Xie – FIDE FORUM • Rethinking Strategy by Prof Anil K. Gupta – FIDE FORUM • Digital Assets: Global Trends, Legal Requirements and Opportunities for Financial Institutions by Henri Aslanian – FIDE FORUM • Board Visit to Model Estate Ladang Tembangau 06, Pahang – In-House Programme • Board Visit to Model Mill Kilang Sawit Besout, Perak – In-House Programme • Board Visit to FGV operations in Johor – FGV Johor Bulkers Sdn. Bhd., FGV Transport Services Sdn. Bhd., Pasir Gudang Depot, Delima Oil Products Sdn. Bhd., MSM Malaysia Holdings Berhad - MSM Sugar Refinery (Johor) Sdn. Bhd. and FGV Fertiliser Sdn. Bhd. – In-House Programme • Understanding Corporate Liability – In-House Training Programme - Section 17A Malaysian Anti-Corruption Commission Act 2009 : Offence by Commercial Organisation, 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. • Masterclass on Cybersecurity by Europe's No. 1 Ethical Hacker, Mr Jamie Woodruff – FIDE FORUM • Audit Oversight Board Conversation with Audit Committees – Securities Commission Malaysia

HOW WE ARE GOVERNED:
LEADERSHIP & EFFECTIVENESS

NOMINATION AND REMUNERATION COMMITTEE REPORT

The Nomination and Remuneration Committee comprises exclusively of Non-Executive Directors. The Chairman of the Nomination and Remuneration Committee is an Independent Non-Executive Director. The Board believes that the current Nomination and Remuneration Committee's composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to meet the needs of the Group.

The Nomination and Remuneration Committee held 10 meetings in 2019.

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 (Policy). The policy on Board Composition has taken into account the mix of skills, independence and diversity required to meet the needs of the Group. Further explanation of this Policy together with the Board nomination and election process and the selection criteria used by the Nomination and Remuneration Committee is published in the Corporate Governance Report, which is available on our website, www.fgvholdings.com. The Board performance evaluation process for the Board as a whole, its Committees and contributions from each individual Director, together with the criteria used for such assessment are also described in detail in the Corporate Governance Report available on our website. The process flow of the said assessment can be found on page 91 of this report.

Further details of the Nomination and Remuneration Committee's Terms of Reference are published on our website at www.fgvholdings.com. This Report should be read in conjunction with our Corporate Governance Report, also available on our website.

SUMMARY OF WORK OF THE NOMINATION AND REMUNERATION COMMITTEE

In 2019, the Nomination and Remuneration Committee undertook the following principal activities in discharging its responsibilities:

AREA OF FOCUS	MATTERS CONSIDERED
Nomination and Election Process and Appointment and Reappointment/ Re-election Process	a. Considered the proposed appointment of Government Appointed Director. b. Considered the appointment of Nominee Director of FGV in MSM Malaysia Holdings Berhad. c. Considered the appointment of Nominee Directors of Koperasi Permodalan Felda Malaysia Berhad in FGV Group. d. Considered the proposed revision of the composition of FGV Board Committees. e. Assessed and recommended to the Board on the re-election of Directors. f. Considered the proposed appointment of Top Management. g. Deliberated on the proposed extension of Fixed-Term Contracts for Top Management.
Induction and Continuing Education Programmes	a. Reviewed the report on the training programmes attended by the Board for the FY2018 and the induction programme for newly appointed Director.
Remuneration Matters	a. Recommended the proposed revision of the Board's fee structure and remuneration structure. b. Recommended the proposed remuneration package of the GCEO. c. Recommended the proposed salary adjustment of Top Management. d. Recommended the proposed annual salary increment for employees of FGV Group. e. Recommended the proposed revision of the remuneration and benefits for employees of FGV Group. f. Assessed the minimum wage implementation proposal for the year 2020. g. Recommended the proposed revision of the Group Human Capital Policies.
Board Assessment	a. Assessed the annual assessment on independence of the Independent Directors of FGV. b. Assessed the Board Performance Evaluation on the effectiveness of the Board as whole, the Board Committees and each individual Director. c. Considered the proposed Board Improvement Plans (action plan initiatives) based on the outcome of the Board Performance Evaluation.
Succession Planning	a. Deliberated on the proposed Board Succession Planning Framework. b. Considered the proposed Succession Planning of Top Management.

HOW WE ARE GOVERNED: LEADERSHIP & EFFECTIVENESS

NOMINATION AND REMUNERATION COMMITTEE REPORT

AREA OF FOCUS	MATTERS CONSIDERED
Reviewed Statements included in FGV's Annual Integrated Report 2018	a. Reviewed the disclosures in the CGOS and the Corporate Governance Report relating to the following: • Board Nomination and Election Policy and Procedures have considered the mix of skills, independence and diversity (including gender diversity) required to meet the needs of FGV. • Board balance and composition, including tenure and gender diversity. • Board nomination and election process and re-election of Directors and the criteria used by the Nomination and Remuneration Committee in the selection process, mapping of skills and experience. • Assessment undertaken by the Nomination and Remuneration Committee in respect of the Board, Board Committees and individual Directors together with the criteria used for such assessment. • Training programmes and induction programmes attended by the Directors for the financial year, pursuant to the Bursa Securities Listing Requirements. • Long Term Incentive Plan. • Directors' remuneration, in accordance with the relevant provisions of the Bursa Securities Listing Requirements and the Companies Act 2016.
Others	a. Recommended the proposed revision of FGV Board Nomination and Election Policy and Procedures. b. Recommended the proposed revision of the performance management framework. c. Considered the proposed revision to FGV Group organisation structure.

KEY MATTERS REPORTED TO THE BOARD

The Chairman of the Nomination and Remuneration Committee updated the Board on matters deemed to be of major importance deliberated at the Nomination and Remuneration Committee meetings and its recommendations. The copies of confirmed minutes of each Nomination and Remuneration Committee meeting were also circulated to the Board for noting at the next practicable Board meeting. Among the significant matters considered by the Nomination and Remuneration Committee during 2019 were the following:

Significant matters	How these matters were addressed by the Nomination and Remuneration Committee	Outcome of the process undertaken
Board Improvement Plans and Board Succession Planning Framework	• Considered the proposed Board Improvement Plans taking into consideration the areas that may improve the current Board oversight processes. • The process involved formulating action plan initiatives to be undertaken and setting the timeframe for implementation. • Reviewed the proposed Board Succession Planning Framework taking into consideration the composition and size as well as the skill sets, knowledge, expertise and experience of the Board and Board Committees.	• To provide insight to the Board and Board Committees towards becoming a high performing Board.
Proposed Succession Planning for Top Management	• Reviewed the proposed succession plan for Top Management taking into consideration the criteria and skill sets of the successors and their readiness level.	• The list of successors approved were considered as part of the selection process for the Top Management positions that were vacant.

PERFORMANCE REVIEW

During the financial year, the Board evaluated the Nomination and Remuneration Committee's performance and the extent to which the Nomination and Remuneration Committee met the requirements of its Terms of Reference, including the term of office and performance of the Nomination and Remuneration Committee and each of its members. This performance assessment constituted part of the annual Board effectiveness assessment, pertaining to the assessment of Board Committees.

This Report was made in accordance with a resolution of the Board of Directors approved on 17 April 2020.

GOVERNANCE AT FGV: ACCOUNTABILITY

AUDIT COMMITTEE REPORT

The Audit Committee comprises exclusively of Non-Executive Directors, a majority of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee 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 Bursa Securities Listing Requirements which stipulates that at least one member of the Audit Committee must be a qualified accountant.

The Audit Committee held 9 meetings and the GCEO, the GCFO, the Chief Internal Auditor and various Management attended the meetings upon invitation of the Audit Committee. The Audit Committee also held various private sessions with the external auditors.

The purpose of the Audit Committee is to assist the Board in fulfilling the following key responsibilities:

- Assessing the risks and control environment.
- Overseeing financial reporting.
- Evaluating the internal and external audit processes and outcomes.
- Reviewing conflict of interest situations and related party transactions.
- Providing oversight on the Annual Integrated Report.
- Undertaking any such other functions as may be determined by the Board from time to time.

The existence of the Audit Committee does not diminish the Board's ultimate statutory and fiduciary responsibility for decision making relating to the functions and duties of the Audit Committee. The Audit Committee may empower one or more of its members to meet or communicate with external auditors and/or internal auditors independently.

Further details of the Audit Committee's Terms of Reference are published on our website at www.fgvholdings.com

SUMMARY OF WORK OF THE AUDIT COMMITTEE

In 2019, the Audit Committee undertook the following principal activities in discharging its responsibilities:

AREA OF FOCUS	MATTERS CONSIDERED
Assessment of the Risks and Control Environment	a. Evaluated the reports on the assessment of the risks and control environment based on the external auditors' quarterly financial information review in each quarter and statutory financial audit at year-end. b. Reviewed four reports from the Chief Internal Auditor summarising the main observations from the internal audit reports issued, which included information relevant for the assessment of the risks and control environment. c. Considered the overall rating of the internal audit reports issued in 2019 as a reflection of the overall effectiveness of the system of internal control vis-à-vis the risks, control environment and compliance requirements of the Group. d. Received assurances from the GCEO and the GCFO that the risk management and internal control system of the Group for FY2019 operated adequately and effectively, in all material respects. e. Considered the development and reviewed the implementation progress of a Control Self-Assessment (CSA) Model Development. At each of its meetings, the Audit Committee gave guidance which was relevant for the improvement of the risks and control environment of the Group, in particular in the areas of commodities trading, receivables management, construction project management, procurement management and plantation operations, which were the main challenges to the Group during the financial year.
Overseeing Financial Reporting	a. Reviewed reports of the external auditors from their quarterly Financial Statements review and annual statutory financial audit at each meeting. Among the main focus areas of the reports were the assessments of impairment and provision exposures of various assets, land lease arrangements, goodwill on investments and onerous contracts based on applicable financial reporting standards. b. Met with the external auditors in two private sessions during the financial year without the presence of Management on 17 May 2019 and 20 August 2019. In these sessions, the following matters were discussed, among others: • The impact of cpo price on fgv group's profitability. • Yield and production of fresh fruit bunches from fgv group's estates. • Impact of government policy on local sugar market. • Assessment of finance function under FGV Group.

GOVERNANCE AT FGV: ACCOUNTABILITY

AUDIT COMMITTEE REPORT

AREA OF FOCUS	MATTERS CONSIDERED
Overseeing Financial Reporting (continued)	c. Evaluated the Quarterly Report on Consolidated Results for each quarter and appraised the analysis of the results in detail. Where required, the Audit Committee provided direction and sought more details on the analysis of the Consolidated Results to make its recommendation to the Board on the Quarterly Report. The Audit Committee also requested further details on several important matters for its deeper understanding and provided the necessary direction on the matters. d. Assessed the cash flow assumptions for the purpose of calculation of the Land Lease Liability to FELDA and its impact to the Financial Statements. e. Reviewed and endorsed policy revisions relating to accounting, finance, governance and internal control for the Board's approval. The Chairman of the Audit Committee held four private meetings with the external auditors to be briefed in detail on the financial results of the Company and the Group.
Evaluation of the External Audit Process and Outcome	a. Reviewed the external auditors' report on the outcome of the external audit process for FY2018, which included internal control recommendations and Management's response to the recommendations. b. Assessed the comprehensiveness of the audit plan of the external auditors for FY2019 and ensured coordination with the various other audit firms apart from Messrs. PricewaterhouseCoopers PLT (PwC) who are involved in the external audit of several subsidiaries. c. Assessed the external auditors for their reappointment for FY2019 based on the established External Auditor Policy and recommended their reappointment to the Board. The Audit Committee also considered the feedback from Management on their evaluation of the external auditors based on the services provided on the external audits for FY2018. d. Assessed the external auditors audit fees for FY2019 and made its proposal to the Board for approval. e. Received written assurance from external auditors in their audit plan for FY2019 confirming they are, and will maintain, independent throughout the conduct of the audit engagement in accordance with the Terms of Reference of all relevant professional and regulatory requirements.
Evaluation of the Internal Audit Process and Outcome	a. Received and reviewed all 61 reports issued to all members of the Audit Committee by Group Internal Audit during FY2019. These are reports from assignments undertaken from the internal audit plan and any unplanned investigation and special assignments undertaken by Group Internal Audit. b. Presented with and reviewed the following at every quarterly meeting during FY2019: • A report summarising the main observations from the internal audit reports issued during the quarter. The Audit Committee gave direction to Management on key matters requiring the Management's special and immediate attention. The Audit Committee reported to the Board on these key matters. • A report on the progress of implementation of the approved internal audit plan for the FY2019, including the status of internal audit resources to support the implementation of the approved internal audit plan and development progress of the internal audit staff. • A report on the progress of implementation of the recommendations from the internal audit reports issued. There were no matters requiring the attention of the Board from the progress reported. c. Performed the following: • Reviewed and approved the internal audit plan for FY2020 together with the scope, functions, resources, budget and KPI of the Group's internal audit function and reported to the Board accordingly. • Assessed the performance of the Chief Internal Auditor, which included assessment of the effectiveness of the Group's internal audit function with reference to the Institute of Internal Auditors' International Professional Practices Framework. • Assessed the Chief Internal Auditor's performance, increment, bonus adjustment and renewal of her contract of employment. d. The Chairman of the Audit Committee held four private meetings and discussions with the Chief Internal Auditor and her Management team to discuss developments which were relevant for the internal audit work, to give direction for a more effective audit plan, to be apprised of or give guidance on any major internal audit observations and any related matters towards improving the governance, risk and control processes of FGV Group.
Reviewed Recurrent Related Party Transactions Monitoring of the Group	a. Reviewed the Quarterly Report on the recurrent related party transactions of the Group and took note that the related party transactions were within the mandate from the shareholders. b. Reviewed the Recurrent Related Party Transactions Circular to seek mandate from shareholders at the 2019 Annual General Meeting. c. Reviewed the internal audit report on the annual recurrent related party transactions review. d. Reviewed the status of contemporaneous pricing of FGV Group's major recurrent related party transactions.
Reviewed Statements included in FGV's Annual Integrated Report 2018	a. Reviewed the Report on the Audit Committee, the Statement on Risk Management and Internal Control, the CGOS, the Management Discussion & Analysis, the Chairman's Statement and the GCEO's Message to be included in the Annual Integrated Report 2018 and recommended the same to the Board for approval. The Statement on Risk Management and Internal Control was reviewed reflecting on the reports of the external and internal auditors on the risks and control environment of the Group and related matters that have been brought to the Audit Committee and the Board during the financial year.

GOVERNANCE AT FGV: ACCOUNTABILITY

AUDIT COMMITTEE REPORT

KEY MATTERS REPORTED TO THE BOARD

The Chairman of the Audit Committee updated the Board on matters deemed to be of major importance deliberated at the Audit Committee meetings and its recommendations. The copies of confirmed minutes of each of the Audit Committee meetings were also circulated to the Board for noting at the next practicable Board meeting. Among the significant matters considered by the Audit Committee during the year 2019 were the following:

Significant matters	How these matters were addressed by the Audit Committee
Financial Reporting	• Reviewed the quarterly financial results and year-end Financial Statements of FGV and the Group, focusing particularly on changes in financial reporting standards including assessing their impacts on the Financial Statements, reasons for fluctuations between periods, explanations for achievement of budgets, forecasts and matters requiring Management's judgement, especially assets recoverability, accounting practices, unusual events and significant adjustments.
MSM's Financial Covenants	• Reviewed the status of the covenants based on every quarterly results and the financial position of MSM. Advised Management to assist MSM to renegotiate and restructure its loans.
Liability under the Land Lease Agreement (LLA)	• Assessed the rationale for the LLA adjustments and any changes in the basis of calculation of LLA liability resulting in charges and write-backs in the Profit and Loss Accounts to ensure the volatility of the LLA charge is managed effectively by Management.
Performance of Joint Ventures	• Reviewed the performance of joint ventures participated by FGV, including deliberating on Management's plans on loss making joint ventures that are hampering FGV's performance, and including any support required for the venture. Where there are no plans, Management was advised to divest FGV's shareholdings in the loss making ventures.
Group Financial Policies	• Reviewed and recommended to the Board the implementation of the Group's Limit of Authorities in place of the now-defunct Delegation of Authority.
Internal Control	• Provided direction for internal control improvements on matters reported by the Group Internal Audit. Encouraged management to prioritise the improvements based on the observations reported in the Group Internal Audit reports.
Recurrent Related Party Transactions	• Considered whether the Recurrent Related Party Transactions were undertaken at commercial arms-length terms in accordance with established procedures and within the mandate provided by the shareholders.

GOVERNANCE AT FGV:
ACCOUNTABILITY

AUDIT COMMITTEE REPORT

RELATIONSHIP WITH THE EXTERNAL AUDITOR

EXTERNAL AUDITOR POLICY

The External Auditor Policy covers the appointment and reappointment 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.

Appointment and Reappointment of External Auditors

The External Auditor Policy was revised on 27 March 2019 and therein states that the Group shall only engage external auditors from the top four firms of professional accountants for the Financial Statements statutory audit of the Group. As far as practicable, the Group 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 PwC as its external auditor for the Group. A suitability and independence assessment has been undertaken through a checklist of factors considered prior to proposing the reappointment of the external auditor for FY2019 at the Annual 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 reappointment as the external auditor.

Effectiveness of the External Auditor

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.

- Calibre of external audit firm
- Quality of process/ performance
- Audit team
- Independence and objectivity
- Audit scope, planning and methodology
- Audit fees
- Audit deliverables
- Audit communication

The assessment shall be undertaken by the Group subsidiaries before the finalisation of the Group's statutory Financial Statements and submitted for the Audit Committee's deliberation. Where the Audit Committee concludes that the performance of the external auditor is less than satisfactory, the Audit Committee shall consider the next course of action, which may include:

- Discussion with the external audit firm to resolve performance issues;
- Replacement of members within the external audit team; or
- Not recommending reappointment of the external auditor.

Assessing Independence of External Auditor

The external auditor shall be required to update the Audit Committee of its Independence Framework and discuss independence issues as part of its Group Audit Plan presented to the Audit Committee by the third quarter of every financial year. The external auditor shall provide a written assurance confirming that the engagement team has been independent throughout the conduct of the audit of the statutory Financial Statements in accordance with the terms of all relevant professional and regulatory requirements. The External Auditor Policy states that relationships that may result in impairment of the external auditor's independence and objectivity shall be prohibited. Any threats to independence shall be disclosed to the Audit Committee together with assessment of the mitigation actions to eliminate the threats or reduce them to an acceptable level. During the year 2019, the external auditor presented its written assurance on independence through their Group Audit Plan and Report to the Audit Committee for the audit of the statutory Financial Statements for FY2019. Based on the assessment above, there was no relationship that may have impaired the external auditor's independence and objectivity.

GOVERNANCE AT FGV: ACCOUNTABILITY

AUDIT COMMITTEE REPORT

Audit Partner Rotation

FGV has adopted the latest ruling of the MIA on audit partner rotation which allows rotation of the lead and signing partner every seven years, updating the earlier FGV policy of five years. When rotated off the audit, the partner shall not be a member of the engagement team or be a key audit partner on the engagement for two consecutive years. The current lead and signing partner of PwC has been assigned to the Group for six years since the annual audit of the statutory Financial Statements for FY2014. With the adoption of the latest ruling by the MIA, the Audit Committee agreed to extend the current PwC lead and signing partner for FGV for another year.

Audit Delivery and Reporting

Upon approval of the audit fees by the Board, the external auditor's engagement letter shall be signed by the GCFO. The deliverables and reports from the audit of the statutory Financial Statements shall be communicated and agreed upon through the Group Audit Plan on an annual basis by the third quarter of every financial year. A Management representation letter shall be issued to the external auditor upon completion of the statutory audit for each company under the Group.

Engagement of External Auditor for Non-Audit Services

The external auditor may be engaged to perform permitted audit or non-audit services as detailed in the External Auditor Policy provided the engagement does not impair the independence of the external auditor in its audit of the statutory Financial Statements. The External Auditor Policy also specifies prohibited non-audit services which the external auditor shall not be engaged for. All services to be awarded to the external auditor shall be subjected to independence assessment and monitoring. The engagement of permitted non-audit services shall be reviewed and approved by the Audit Committee where the annual fees for non-audit services exceed 25% of the annual fee for audit of the statutory Financial Statements of the Group. A report on the engagement of the external auditor for all other audit and non-audit services together with the fees for each engagement shall be reported to the Audit Committee every six months or as and when the total of non-audit service fees exceeds the 25% threshold.

The fees paid/payable to the external auditor, PwC, in FY2019 were as follows:

Fees paid/payable to PwC in 2019	RM'000
Audit Fees	
• PwC Malaysia	4,209
• Member firms of PwC International Limited (PwCIL)	1,451
Audit-Related Fees	
• PwC Malaysia and member firms of PwCIL	1,488
Other non-audit fees paid to PwC Malaysia and member firms of PwCIL	30
Total	**7,178**

Removal of External Auditor

In the event of any removal or resignation of the external auditor, the Audit Committee shall consider the request and reason for the removal or resignation to make its recommendation to the Board. The selection of a new external auditor shall be conducted through invitation for a closed tender procurement process with the other top three accounting firms through the Group's normal Procurement Policies and Procedures. The termination shall be approved by the FGV shareholders at the Annual General Meeting together with the proposal for the appointment of a new external auditor.

From assessment conducted by the Audit Committee on PwC's performance in FY2019, the Audit Committee has concluded that PwC remains suitable for appointment as external auditor and recommend their reappointment for FY2020.

Keeping Updated on Relevant Information

The external auditor updates the Audit Committee members on changes to accounting standards and issues related to financial reporting through quarterly meetings.

GOVERNANCE AT FGV:
ACCOUNTABILITY

AUDIT COMMITTEE REPORT

GROUP INTERNAL AUDIT

The Group's Internal Audit function is independent and reports functionally directly to the Audit Committee and administratively to the GCEO. The conduct of Group Internal Audit 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 in 2019.

There was a total of 59 internal auditors as at 31 December 2019 covering the activities of the Group headed by Zalily Mohamed Zaman Khan, the Chief Internal Auditor.

The internal auditors have sufficient mix of knowledge, skills and competencies to execute the audit plan. Composition of the internal auditors and the corresponding professional status are as follows:

Professional status	Percentage of total Auditors
Professional accounting (ICAEW, CPA, ACCA, CA) or Certified Internal Auditor (CIA) or post-graduate (MBA or Masters)	14
Certified IS Auditor (CISA)	7
Graduate (Bachelor's Degree)	64
Graduate pursuing professional accounting (ICAEW, CPA, ACCA, CA) or CIA	13
Others (Diploma)	2
Total	**100**

The above includes 19 internal auditors (32%) who are members of the Institute of Internal Auditors Malaysia. The total cost incurred for Group Internal Audit for FY2019 is RM10.3 million (FY2018: RM11.3 million). This amount comprises mainly staff cost and benefits, travelling expenses and the operating cost of the Group Internal Audit management system.

Roles and Functions

Group Internal Audit provides assurance services for the Group locally and overseas covering all operations where the Group has management control and where partners consent for jointly controlled entities. In addition to the assurance role, Group Internal Audit also undertakes a consulting role and investigative role. In its consulting role, Group Internal Audit undertakes advisory on governance, risk and control, policy and procedures review and participates in working groups to provide input on policy development, systems development and several initiatives of the Group. Investigative audits are undertaken upon any allegation of improper, illegal and dishonest acts based on the request of the Management or Board.

GOVERNANCE AT FGV: ACCOUNTABILITY

AUDIT COMMITTEE REPORT

Development of Audit Plan

When the Audit Plan is developed, consideration is given from the governance perspective as to how the whole company is managed at the Group level (Corporate Centres) and cascaded down to the Business Cluster and ultimately the operational level. Another consideration is from the risk perspective where high risk issues are prioritised during the development of the Annual Group Internal Audit Plan.

Based on these assessments, priority ranking is assigned to each operating unit to arrive at the audit plan over three years. The three-year Audit Plan is reviewed every year and forms the basis to derive the Annual Group Internal Audit Plan. Once the key audit areas are developed, the staff and resource allocation plan, budget estimates and staff development progress are established. The Annual Group Internal Audit Plan is presented to the Audit Committee. The Audit Committee reviews and challenges the adequacy of the audit scope, the resources allocated, the capability skill sets and makes recommendations before approving the Group Internal Audit Plan. Any recommendation of the Audit Committee is taken into the Group Internal Audit Plan. Once the Group Internal Audit Plan is rolled out, the Audit Committee ensures that the coverage is responsive and robust to satisfy the changing level of risk and emerging areas of concern. Any deviation to the Group Internal Audit Plan is discussed and endorsed by the Audit Committee quarterly.

For year 2020, the Audit Plan was formulated based on the new audit approach approved by the Audit Committee which resulted in a reduction in the number of internal auditors required.

The new audit approach is as follows:

a. To increase focus on Group-wide and thematic audit reviews;
b. Routine audits will be on a selective basis subject to risk assessment;
c. To perform follow-up based on risk assessment and audit report rating;
d. To utilise more data analytics in the audit work; and
e. To introduce Control Self-Assessment (CSA) as a tool for auditing operations.

Internal Audit Reporting

All Group Internal Audit reports are issued directly to the Audit Committee with copies to the relevant Management for their action. On a quarterly basis, the Audit Committee is presented with the progress reporting of the audit findings, recommendations and implementation of Management's corrective actions. Any concerns raised by the Audit Committee are to be addressed by Group Internal Audit. The Audit Committee follows through on any unresolved matters as part of the agenda in the next meeting.

Objectivity and Independence of Group Internal Audit

The Chief Internal Auditor states Group Internal Audit's declaration of objectivity and independence to the Audit Committee in its Annual Group Internal Audit Plan. Group Internal Audit undertakes a survey of the relationship of its auditors once every two years and ensures that the rotation of internal auditors does not result in any compromise of objectivity and independence.

GOVERNANCE AT FGV: ACCOUNTABILITY

AUDIT COMMITTEE REPORT

SUMMARY OF WORK DONE BY GROUP INTERNAL AUDIT IN 2019

AREA OF FOCUS	MATTERS CONSIDERED
Assurance	The assurance work during the year 2019 was a balance of governance, risk and control at the corporate centre level and business operational level. At the corporate centre level, the focus was on inculcating best and better practices in the following main areas: • Governance and risk management processes towards enhancing general governance and risk management practices and culture. • Financial management processes, particularly accounting and financial controls, credit control and collection process, payment efficiency and cash flow management. • Recurrent Related Party Transactions review with a view of advising the Audit Committee on the Group's compliance with the Related Party Transactions and Recurrent Related Party Transactions Policy. • Sustainability certification management. • Information Technology (IT) governance and controls which include security, system development, data integrity and operation efficiency. At the business operational level including overseas operations, the key audit scopes were in the areas of financial controls, sales and receivables management, procurement and contract management, asset and inventory management, production or service delivery, trading, bulking operation, security operation and IT. For our main Business Cluster, i.e. Upstream, the key audit scopes were financial controls, procurement, operations, fresh fruit bunches purchasing, mechanisation and workforce management.
Consulting	Group Internal Audit plays an active role in advising the Group on various matters. In 2019, this was through the following platforms: • IT Project Steering Committee and Working Committee meetings to provide guidance on IT project management and system development or implementation processes. • Participation in policy development in working groups and reviewed draft documents. The focus of Group Internal Audit's feedback on the documents was from the aspect of compliance with any regulatory requirements, incorporating practical best practices and enhancing governance and risk management.
Investigation	Group Internal Audit has undertaken investigative audits based on the request and information from Management, Board and Audit Committee. The outcome of the investigations have been reported to the Audit Committee and the Board. The recommendations and resolutions arising from the investigation reports tabled have been communicated to Management for the necessary implementation. During the year, Group Internal Audit undertook several investigations and special review work. The special reviews identified improvements in the following areas: • Revenue and receivables management. • Stock management. • Procurement management. • Project management. • Data management.

PERFORMANCE REVIEW

During the financial year, the Board evaluated the Audit Committee's performance and the extent to which the Audit Committee met the requirements of its Terms of Reference, including the term of office and performance of the Audit Committee and each of its members. This performance assessment constituted part of the annual Board effectiveness assessment, pertaining to the assessment of Board Committees.

This Report was made in accordance with a resolution of the Board of Directors approved on 17 April 2020.

GOVERNANCE AT FGV:
ACCOUNTABILITY

BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE REPORT

The Board Governance & Risk Management Committee's responsibilities are as follows:

- In relation to governance, ethics and integrity:
  - To direct and oversee the formulation of the Group's governance framework with a view to inculcate an ethical and governance climate consistent with the Board's risk appetite, guided by the recommendations of MCCG 2017.
  - To direct and oversee the formulation of the Group's programmes and policies to support the implementation of the Group's governance framework and endorse the blueprints and policies for the Board's approval.
  - To review reports on the status and availability of related procedures by the Group's operations and subsidiaries to implement the Group's policies.
  - To monitor the status and progress of formulation and implementation of the related governance framework, blueprints and policies; and accordingly report to the Board the status and to recommend to the Board the approval of and/or amendments to the Group's governance framework, blueprints and policies.
- In relation to risk management:
  - To direct and oversee the formulation of the Group's overall 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 seek 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.
  - 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.
- In relation to sustainability:
  - To direct and oversee the formulation of the Group's overall sustainability strategies and initiatives, including principles and policies which are aligned with related regulations, monitor the implementation of the Group's approved overall sustainability strategies and initiatives, including principles and policies and review any Sustainability Report or Sustainability Statement or information having major financial and/or reputational impact to the Group, to be publicly issued by the Group or to be included in the Company's Annual Integrated Report.
  - To be publicly issued by the Group or to be included in the Company's Annual Integrated Report.

Further details of the Board Governance & Risk Management Committee's Term of Reference are published on our website www.fgvholdings.com

SUMMARY OF WORK OF THE BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE

In 2019, in the Board Governance & Risk Management Committee undertook the following principal activities in discharging its responsibilities:

AREA OF FOCUS	MATTERS CONSIDERED
Governance, Ethics and Integrity	a. Received updates on integrity compliance issues. b. Received updates on status of compliance with MCCG 2017. c. Recommended the proposed Anti-Bribery Management Systems Manual and Organisational Anti-Corruption Plan. d. Recommended the proposed revision of the Board Charter, Terms of Reference of Board Committees, FGV Board Nomination and Election Policy and Procedures, Board Remunerations Policy, Group Human Capital Policies, Group Information and Communication Technology Policies, Group Commodity Trading Policy, Corporate Responsibility Policy, Sponsorship and Donations Policy, Advertising & Promotions Policy, Event Management Policy, Finance Policies and Procedures and Group Procurement Policy. e. Recommended the proposed establishment of the Group's Limit of Authorities, FGV Governance of Policies and Procedures, FGV Corporate Governance and Business Integrity Blueprint, Governance and Integrity Framework, Conflict of Interest Policy, Referral Policy, Management of Classified Document Policy and Independent Advisory Panel Terms of Reference. f. Received reports on the planned governance activities for the year and initiatives completed.

GOVERNANCE AT FGV: ACCOUNTABILITY

BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE REPORT

AREA OF FOCUS	MATTERS CONSIDERED
Risk Management	a. Assessed and deliberated on the Group's risk status through the FGV Group Quarterly Risk Report covering the Group's top 10 risks, Risk Appetite Statement, key risks beyond the risk register, project, emerging and reputational risks. This ensures the Board is always informed of the Group's risks that require closer attention and of the prevailing risk profile and outlook. b. Recommended the enhanced mechanism of the Project Risk Assessment template to facilitate risk assessment on investment proposals which embeds appropriate risk management processes as part of decision making for major projects, investments and mergers and acquisitions. c. Recommended the proposed expansion of FGV Group's Risk Appetite Statement. d. Received updates on the outcome of the Risk Scenario Analysis. e. Received reports on the planned risk management activities for the year and completed initiatives.
Sustainability	a. Received updates on sustainability matters. b. Recommended the proposed revision of the Group Sustainability Policy. c. Considered the proposed Group Sustainability Framework 2020–2022. d. Received reports on the traceability of source of fresh fruit bunches.
Reviewed Statements included in FGV's Annual Integrated Report 2018	a. Reviewed the Report on the Board Governance & Risk Management Committee, the Statement on Risk Management and Internal Control, CGOS and Sustainability Statement to be included in FGV's Annual Integrated Report 2018 and recommended the same to the Board for approval. The Statement on Risk Management and Internal Control was reviewed reflecting on the reports of the external and internal auditors on the risks and control environment of the Group and related matters that had been brought to the Board Governance & Risk Management Committee and the Board during the financial year.

KEY MATTERS REPORTED TO THE BOARD

The Chairman of the Board Governance & Risk Management Committee updated the Board on matters deemed to be of major importance deliberated at the Board Governance & Risk Management Committee meetings and its recommendations. The copies of confirmed minutes of each of the Board Governance & Risk Management Committee meeting were also circulated to the Board for noting at the next practicable Board meeting. Among the significant matters considered by the Board Governance & Risk Management Committee during the year 2019 were the following:

Significant matters	How these matters were addressed by the Board Governance & Risk Management Committee	Outcome of the process undertaken
FGV Group Quarterly Risk Report	• Deliberated on the key risks reported in the FGV Group Quarterly Risk Report • The risk scenario of FGV Group was summarised as: a. Risk Appetite Statement b. Risk Register – FGV Group Top 10 Risks and Mitigation c. Key Risks Beyond the Risk Register d. Key Incidents Reported and BCM Updates	• The feedback was regularly shared with Management via Divisional Risk Reporting Committee Meetings held at least twice every quarter to assist the businesses in mitigating their risks. • It was concluded that for 2019, the Risk Profile for FGV Group is moderate.

BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE REPORT

Significant matters	How these matters were addressed by the Board Governance & Risk Management Committee	Outcome of the process undertaken
Risk Scenario Analysis	• Deliberated on the proposed mitigation plans on previously deliberated and acknowledged scenarios: a. Scenario 1 – Prolonged CPO Price Decline b. Scenario 2 – Adverse Weather (El Nino) c. Scenario 3 – Economic Crisis • Acknowledged extent of potential risk exposures to the Group arising from the exercise. • Recommended engagement with affected business sectors on mitigation actions to address the risks associated with the scenarios.	• Several limitations were detected in implementing the study. • A series of internal meetings between Group Risk and the respective business sectors and relevant departments affected by the scenarios were held to discuss mitigation plans aimed at ensuring FGV's resilience against such scenarios.
FGV Group's Risk Appetite Statement (RAS)	• Approved and guided the development of RAS expansion to reflect the actual risk profile of FGV Group. The risk drivers and the associated key risk indicators were proposed to be segmented into financial, operational, weather and market. • Reviewed and guided the development of FGV Risk Profile Monitor that provides a wider scope of risk drivers encompassing fields such as economics, strategic and global issues.	• In order to ensure the continued relevance and applicability of RAS to serve as a sound risk profiling tool and reflect the overall risk profile of the Group, Group Governance & Risk Management embarked on this initiative to revamp and improve the existing Group RAS. FGV Risk Profile Monitor is part of the revamp targeted at better reflecting the Group Risk Profile by providing a wider scope of risk drivers encompassing fields such as economics, strategic and global issues.
Organisational Anti-Corruption Plan (OACP)	• Recommended for further approval from the Board for the development of OACP to replace FGV Corporate Governance & Business Integrity Blueprint.	• The review and enhancement of the Blueprint into the OACP will expand the coverage of the action plans by effectively identifying the corruption schemes, using the CRM approach.
Anti-Bribery Management Systems (ABMS) Manual	• Recommended for further approval from the Board for the ABMS Manual that was developed by taking into consideration the requirements stated in ISO 37001:2016.	• The manual is a guide for FGV Group to establish, implement, maintain, review and improve the anti-bribery management system.
Group Policies	• Made recommendations on the Group's revised policies on governance, risk and control for the Board's approval.	• Recommended the proposed revision of the Board Charter, Terms of Reference of Board Committees, FGV Board Nomination and Election Policy and Procedures, Board Remunerations Policy, Group Human Capital Policies, Group Information and Communication Technology Policies, Group Sustainability Policy, Group Commodity Trading Policy, Corporate Responsibility Policy, Sponsorship and Donations Policy, Advertising & Promotions Policy, Event Management Policy, Group Internal Audit Charter, Finance Policies and Procedures and Group Procurement Policy. • Recommended the proposed establishment of the Group's Limit of Authorities, FGV Governance of Policies and Procedures, FGV Corporate Governance and Business Integrity Blueprint, Governance and Integrity Framework, Conflict of Interest Policy, Referral Policy, Management of Classified Document Policy and Independent Advisory Panel Terms of Reference.

GOVERNANCE AT FGV:
ACCOUNTABILITY

BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE REPORT

Significant matters	How these matters were addressed by the Board Governance & Risk Management Committee	Outcome of the process undertaken
RSPO and MSPO Certification	• Took note of the non-conformance in operating units and suggested practical approaches to the recommended remedies to address the issues that could affect certification. • Guided plantation and palm oil mill operation on RSPO compliance to new P&C 2019. • Research on applicable labour standard.	• Smooth progress of RSPO and MSPO certification. • Able to fulfill the new P&C requirements. • To provide clarity and uniformity on the applicable labour standard across FGV operations.
Peat Soil Management	• The Stop Work Order for new peatland development is still in effect and the local communities are still waiting patiently for PT CNP & PT TAA to develop the Plasma area for the benefit of the local community.	• With FGV's commitment towards no new planting on peat, the Management is considering planting a combination of long-term plants and short-term crops to give some immediate returns to Plasma smallholders. Furthermore, with Drainability Assessment being made mandatory by the local government (to determine the ability to replant in existing oil palm plantations on peatland as required in the RSPO P&C 2018), FGV is waiting for the Drainability Assessment Report from Kementerian Lingkungan Hidup & Kehutanan Republik Indonesia (KLHK) to guide the identification of suitable crops to plant on the peat area.
Traceability of source of fresh fruit bunches (FFB)	• FGV's commitment is to trace and to conduct sustainability risk assessment for FFB sourced to the Group's mills and mitigate its risks. The target was to cover 50% of external FFB supply in 2019 and another 25% for 2020 and 2021 respectively. • FGV, together with the Malaysia Institute for Supply Chain Innovation (MISI) and MIMOS, with the support of P&G, have come up with a traceability and risk mapping programme which seeks to identify suppliers and support them in addressing sustainability non-compliance.	• 12 top dealers have been engaged to communicate and socialise FGV's commitment to NDPE and the Group Sustainability Policy. • In the first part of 2019, 72 collection centres belonging to three top dealers were analysed for sustainability risks. The high-risk suppliers will be given priority for further engagement to verify the real sustainability risks associated with them.

PERFORMANCE REVIEW

During the financial year, the Board evaluated the Board Governance & Risk Management Committee's performance and the extent to which the Board Governance & Risk Management Committee met the requirements of its Terms of Reference, including the term of office and performance of the Board Governance & Risk Management Committee and each of its members. This performance assessment constituted part of the annual Board effectiveness assessment, pertaining to the assessment of Board Committees.

This Report was made in accordance with a resolution of the Board of Directors approved on 17 April 2020.

GOVERNANCE AT FGV: REMUNERATION

FAIR AND CONSIDERED REMUNERATION

DIRECTORS' REMUNERATION

Upon recommendation by the Nomination and Remuneration Committee, the Board revised the Board Remuneration Policy on 18 October 2019 by reducing 50% of the fees of the Non-Executive Chairman (from RM600,000 per annum to RM300,000 per annum) along with other benefits with effect from financial year ended 31 December 2018. The fees for Non-Executive Directors remain unchanged. As the position of the Non-Executive Chairman is nominated by the Special Shareholder, the latter had been apprised of the Non-Executive Chairman's revised fee structure. The revised fee structure and remuneration structure was then approved by the shareholders at the Company's Extraordinary General Meeting on 27 November 2019. The Board, upon recommendation by the Nomination and Remuneration Committee further revised the Board Remuneration Policy on 28 February 2020 by adding a provision for a monthly allowance for the Non-Executive Deputy Chairman. The Company will be seeking its shareholders' approval on the proposed monthly allowance for the Non-Executive Deputy Chairman.

SUMMARY OF NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

The Non-Executive Directors' remuneration package reflects the experience, expertise and level of responsibilities undertaken by the Non-Executive Directors. The Non-Executive Directors' remuneration include fees, benefits-in-kind and other benefits including meeting allowances.

The Non-Executive Directors' fee structure is set out in the table below:

BOARD/BOARD COMMITTEES	FEES PER ANNUM
Board	- RM300,000.00 (Chairman) - RM120,000.00 (Non-Executive Directors)
Audit Committee	- RM64,000.00 (Chairman) - RM32,000.00 (Non-Executive Directors)
Nomination and Remuneration Committee	- RM35,000.00 (Chairman) - RM20,000.00 (Non-Executive Directors)
Board Governance & Risk Management Committee	- RM32,000.00 (Chairman) - RM16,000.00 (Non-Executive Directors)
Investment Committee	- RM32,000.00 (Chairman) - RM16,000.00 (Non-Executive Directors)
Board Tender Committee	- RM32,000.00 (Chairman) - RM16,000.00 (Non-Executive Directors)
Special Board Committee 1	- RM36,000.00 (Chairman) - RM24,000.00 (Non-Executive Directors)

The Non-Executive Directors' revised remuneration structure (excluding Directors' fees) is set out below:

MEETING ALLOWANCE

Non-Executive Chairman and Non-Executive Directors

- Local: RM2,000.00
- Overseas (Flight time <= 8 hours): RM2,000.00
- Overseas (Flight time > 8 hours): RM5,000.00
- Teleconferencing: RM1,000.00

OTHER BENEFITS

Non-Executive Chairman

- Company car allowance (RM15,000.00 per month including petrol, toll charges and car maintenance)
- Driver (actual)
- Club membership (RM10,000.00 per annum)
- Mobile phone bills (actual)
- Personal entertainment (RM24,000.00 per annum)
- One (1) personal bodyguard at Chairman's disposal within Malaysia (actual)
- Medical coverage of RM100,000.00 per annum
- Group Personal Accident insurance coverage of RM200,000.00 per annum

Non-Executive Deputy Chairman

- Allowance (RM3,000.00 per month)
- Medical coverage of RM100,000.00 per annum
- Group Personal Accident insurance coverage of RM200,000.00 per annum

Non-Executive Directors

- Medical coverage of RM100,000.00 per annum
- Group Personal Accident insurance coverage of RM200,000.00 per annum

GOVERNANCE AT FGV: REMUNERATION

The Directors' remuneration for FY2019 in aggregate from FGV and the Group, with categorisation into components, distinguishing between Non-Independent Non-Executive Directors and Independent Non-Executive Directors, is stated below:

Name of Director	Salary (RM)	Bonus (RM)	End of Service Gratuity (RM)	Annual Fees[1]		
				Board (RM)	Audit Committee (RM)	Nomination and Remuneration Committee (RM)
Non-Independent Non-Executive Director						
Datuk Wira Azhar Abdul Hamid	-	-	-	300,000	-	-
Mohd Hassan Ahmad	-	-	-	120,000	32,000	-
Dato' Dr. Noor Zari Hamat[2]	-	-	-	53,260	-	8,877
Dato' Dr. Othman Haji Omar	-	-	-	120,000	-	-
Independent Non-Executive Director						
Dato' Yusli Mohamed Yusoff	-	-	-	120,000	-	35,000
Datuk Mohd Anwar Yahya	-	-	-	120,000	64,000	-
Datin Hoi Lai Ping	-	-	-	120,000	32,000	9,315
Dr. Mohamed Nazeeb P.Alithambi	-	-	-	120,000	-	-
Dr. Nesadurai Kalanithi	-	-	-	120,000	-	9,315
Dato' Mohamed Suffian Awang[3]	-	-	-	57,863	-	9,644
Datuk Dr. Salmiah Ahmad[4]	-	-	-	111,452	12,625	493
TOTAL	**-**	**-**	**-**	**1,362,575**	**140,625**	**72,644**

Notes :

1 Annual fees not inclusive of Sales and Services Tax (SST).

2 Dato' Dr. Noor Zari Hamat was appointed as Non-Independent Non-Executive Director on 23 July 2019. He ceased to be a Non-Independent Non-Executive Director on 22 January 2020.

GOVERNANCE AT FGV: REMUNERATION

	Investment Committee (RM)	Board Governance & Risk Management Committee (RM)	Board Tender Committee (RM)	Special Board Committee (RM)	Annual Fees from Subsidiaries (RM)	Benefits-In-Kind (RM)	Other Benefits (RM)	Total (RM)
	-	-	-	-	315,000	133,100	221,000	969,100
	-	-	16,000	24,000	-	968	53,000	245,968
	-	7,101	-	-	-	968	12,000	82,206
	16,000	-	-	-	-	968	34,000	170,968
	7,452	32,000	-	-	-	968	60,000	255,420
	-	-	7,452	36,000	-	968	54,000	282,420
	23,452	-	-	-	-	968	63,000	248,735
	16,000	-	32,000	24,000	-	1,302	60,000	253,302
	-	7,452	-	24,000	-	968	43,000	204,735
	15,430	-	7,715	-	-	968	31,000	122,620
	-	14,860	5,962	-	-	968	48,000	194,360
	78,334	**61,413**	**69,129**	**108,000**	**315,000**	**143,120**	**679,000**	**3,029,840**

3 Dato' Mohamed Suffian Awang retired as Independent Non-Executive Director on 25 June 2019.

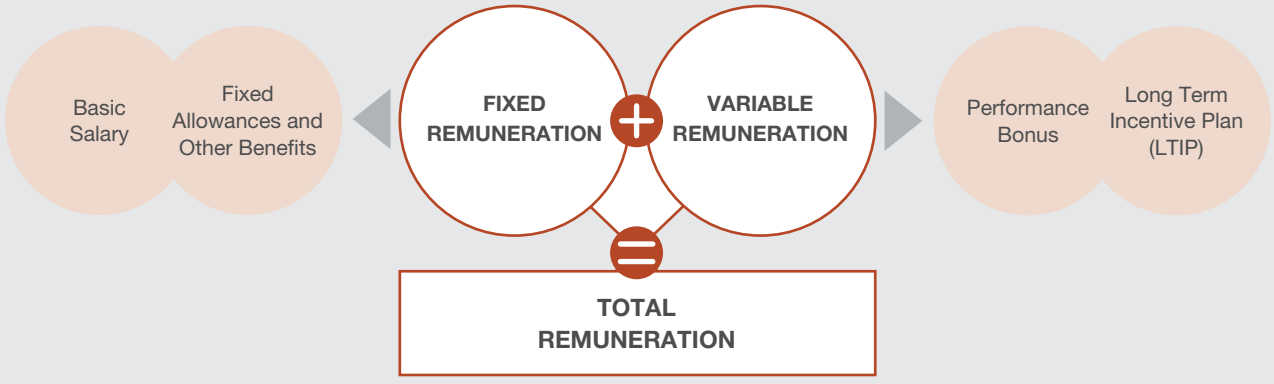
4 Datuk Dr. Salmiah Ahmad resigned as Independent Non-Executive Director on 5 December 2019.

GOVERNANCE AT FGV: REMUNERATION

SENIOR MANAGEMENT'S REMUNERATION POLICY

The Nomination and Remuneration Committee reviews the remuneration framework for Senior Management annually. The Nomination and Remuneration Committee takes into consideration FGV's performance to ensure the sustainability of the remuneration package in the long run. FGV's remuneration structure, which consists of fixed and variable remunerations are benchmarked against the industry to ensure alignment and pay competitiveness.

The following remuneration structure has been in effect since 2016. The Nomination and Remuneration Committee decided not to make material changes to the framework for 2019.



The Board of Directors is responsible for assessing the individual performance of the GCEO, Company Secretary and Chief Internal Auditor. The performance of other members of Senior Management is assessed by the GCEO.

In general, Senior Management's Performance Bonus is determined based on Group, Sector, Cluster or Division and individual performances. Individual weightage for these factors varies between employee groups depending on employees' accountability and line of sight. Due to poor financial results for 2018, Management decided not to propose Performance Bonus to employees.

LTIP, which is based on the mechanism approved by our Board of Directors in February 2016, and the vesting of the shares, expected in three years based on a ratio of 30:30:40, is dependent on the employees' performance level. A total of 2.39 million shares were vested under a Restricted Share Plan to eligible employees in 2019. However, due to the poor financial results for 2018, Management decided not to grant LTIP to employees.

The Board of Directors also reviewed FGV Senior Management officers whose Fixed-Term Employment Contracts were due for renewal and/or promotion in 2019.

TOP 5 SENIOR MANAGEMENT'S REMUNERATION FOR FY2019

Name of Senior Management	Range of Remuneration Per Annum
Dato' Haris Fadzilah Hassan *(Appointed as GCEO starting from 23 January 2019)*	RM1,550,001 to RM1,600,000
Dato' Mohd Hairul Abdul Hamid *Group Chief Financial Officer*	RM1,200,001 to RM1,250,000
Syed Mahdhar Syed Hussain *Chief Operating Officer, Plantation Sector*	RM950,001 to RM1,000,000
Dato' Khairil Anuar Aziz *Group Chief Executive Officer, MSM Malaysia Holdings Berhad*	RM950,001 to RM1,000,000
Azman Ahmad *Chief Operating Officer, Logistics & Others Sector*	RM850,001 to RM900,000

The remuneration includes salaries, bonuses, benefits-in-kind and other emoluments.

GOVERNANCE AT FGV:
RELATIONS WITH OUR STAKEHOLDERS

COMMUNICATING WITH OUR STAKEHOLDERS

OUR APPROACH

FGV remains steadfast in its commitment to keep all our stakeholders abreast of developments in the Group, as well as to communicate our strategies that help to create value.

We have in place a comprehensive programme driven by our Investor Relations team that seeks to maintain and establish a transparent and ongoing dialogue with shareholders and the investment community. This is supported by FGV's Shareholders Communication Policy. We respond to queries on a daily basis and have prepared a dedicated section on our website that presents current, relevant and material information that can be disclosed.

All of our financial results and corporate presentations are also available on our website at www.fgvholdings.com.

The FGV Corporate Disclosure Policy governs the nature of the information we are allowed to release so as not to mislead the public and our shareholders. For example, we will not disclose information that is price sensitive or that may be regarded as undisclosed material information until it has already been properly disclosed to the public domain.

INVESTOR MEETINGS

We continue to hold meetings with major institutional investors, individual shareholder groups and financial analysts to share insights into some of the thinking behind our business strategies as well as to explain our business performance. The GCEO, Senior Management and the Investor Relations team have taken part in these meetings, while institutional investors have also met the Chairman on certain occasions.

INVESTOR RELATIONS

Investor queries may be posted to the following address, and contact details of Investor Relations are available on page 6 of the report.

Fairul Nizam Che Rus
Head of Investor Relations
Level 20, Wisma FGV
Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia.

The detailed Investor Relations calendar for 2019 can be found on FGV's website at www.fgvholdings.com under the Investor Relations section.

STAKEHOLDER ENGAGEMENT

FGV carries out engagements with its diverse groups of stakeholders through various channels. The details of the efforts can be found in the Stakeholder Engagement section under Social & Relationship Capital on pages 74-75 of this report.

INVESTOR RELATIONS CALENDAR

Set out here is a calendar of our investor events throughout 2019.

GOVERNANCE AT FGV:
RELATIONS WITH OUR STAKEHOLDERS

COMMUNICATING WITH OUR STAKEHOLDERS

SUMMARY OF INVESTORS INTERESTS

As a result of various engagements carried out throughout 2019, Investor Relations identified the main concerns of the stakeholders, and they are summarised as below:

FOCUS AREA	FGV'S RESPONSE
Operational	1. Smarter application of fertiliser by prioritisation of soil enhancement for cost optimisation. 2. Achieved 85% of labour requirement, which was affected by abscondment issues. Introduced the 3R initiatives (Recruit, Retain, Repatriation) and one of the retention strategies was the use of e-wallets for migrant workers. 3. Targeted replanting of 15,000 Ha per year with cost allocation of RM300 million. Consistent replanting effort to achieve optimal palm tree age profile by 2026. 4. Forward selling of CPO was capped at 30% based on FFB produced internally.
Financial Performance	1. Areas of leakages were identified and substantial savings have been achieved, the bulk of them from improved processes and negotiation strategies. 2. Impairment of assets in compliance with Malaysian Financial Reporting Standards (MFRS) 136 and MFRS 9. 3. Focused on reducing the CPO ex-mill production cost to a target of RM1,500. 4. Commercialisation of MSM Johor with low utilisation rate impacted the performance of FGV Sugar business.
Non-Core and Non-Performing Assets Disposal	1. Reviews for the potential disposal of non-core assets are ongoing. 2. Sales proceeds from the disposal of non-core assets & non-performing businesses of RM126 million as at end-2019. 3. In discussion with JV partners to review the commercial terms of existing agreements or the potential for divestments, to turn around and maximise investment returns.
LLA Land	1. The relationship between FGV and FELDA is a professional one, guided by good governance standards. There has not been any official discussion with regards to any renegotiation of the terms the LLA with FELDA. 2. FGV has contributed to the improvement of value on the LLA land via consistent replanting programmes, which have resulted in a marked improvement in the age profile since listing.

GOVERNANCE AT FGV: RELATIONS WITH OUR STAKEHOLDERS

BRIEFINGS ON THE QUARTERLY RESULTS

FGV consistently hosts physical briefings and/or conference calls with analysts and the business media following the announcement of our Quarterly Results. Chaired by the GCEO or the GCFO, FGV provides this platform to enable the wider market to better understand the Group's performance and to seek clarifications on any concerns they may have.

GENERAL MEETINGS

The general meetings represent the primary platform for direct two-way interaction and act as a principal forum for dialogue between the shareholders, the Board and the GMC. For 2019, FGV sent out the notice of the Annual General Meeting (AGM) and the related circular to shareholders more than 21 days prior to the AGM. The notice of AGM was advertised in Malaysian newspapers in English and Bahasa Malaysia. The venue of the AGM was in Kuala Lumpur and provided easy access to the shareholders. The Chairman, the Board members, the GMC and the external auditors were in attendance and responded to questions raised and provided clarifications as required by the shareholders. The GCEO presented FGV's performance report for FY2018. The responses to questions submitted by the Minority Shareholders Watch Group (MSWG), Kumpulan Wang Persaraan (Diperbadankan) (KWAP) and Employees Provident Fund (EPF) were then shared with the shareholders in attendance. All shareholders were encouraged and were given sufficient opportunity to seek clarification about the Group's activities and prospects as well as expressing their expectations and concerns. Shareholders were also urged to participate in the question and answer session on the resolutions proposed and the Group's operations in general.

An Extraordinary General Meeting (EGM) to obtain shareholders' approval on the revised fee structure for the Board was subsequently held on 27 November 2019. The notice of the EGM was sent out 14 days prior to the EGM and the same was advertised in a nationally circulated English daily newspaper.

Similar to the 2019 AGM, shareholders were given sufficient opportunity as well as time to raise questions on the resolutions being proposed at the 2019 EGM.

As demanded by the Chairman, voting for both the AGM and EGM were conducted by poll through electronic voting (e-Polling) in compliance with Paragraph 8.29A of the Bursa Securities Listing Requirements that requires each resolution to be tabled at any general meeting to be voted via poll. Shareholders who were unable to attend were allowed to appoint proxies in accordance with FGV's Constitution to attend, speak and vote on their behalf. FGV engaged independent scrutineers to validate the voting for the resolutions.

The outcome of the 2019 AGM and 2019 EGM were announced to Bursa Securities after the conclusion of the respective meetings and the summary of the minutes of the 2019 AGM and 2019 EGM are available on our website at www.fgvholdings.com

CORPORATE WEBSITE

FGV's corporate website at www.fgvholdings.com holds information about the Group. This includes our corporate profile, stock exchange announcements, press releases, financial results, presentations to investors and corporate news. FGV's corporate website is updated periodically to provide current and comprehensive information about the Group.

MEDIA COVERAGE

The media is an important partner of the Group as it helps to facilitate the broadcasting of the Group's value-creation activities. We continue to engage with the print and electronic media to enable investors and the public to better understand the Group's business and its challenges.

GOVERNANCE AT FGV:
INTEGRITY IN CORPORATE REPORTING

FINANCIAL REPORTING AND DISCLOSURE

FGV's Board strives to present shareholders with a balanced and comprehensive assessment of the Group's financial performance, challenges and outlook. To facilitate this, the Group prepares audited Financial Statements and Quarterly Results which are further supported by the Chairman's Statement, the GCEO's Message and the Management Discussion & Analysis in the AIR 2019.

The Board is also committed to releasing announcements in a timely manner in respect of the Group's performance. In the context of our Financial Statements, the Group adheres to the requirements set out in the Malaysian Financial Reporting Standards, the International Financial Reporting Standards and the Companies Act 2016, as well as the laws and regulations in the respective countries in which FGV operates. Our annual Financial Statements and Quarterly Reports are also reviewed by the Audit Committee to ensure a fair representation of the Group and the Company.

ANNUAL INTEGRATED REPORT

This is FGV's 5th AIR and its 8th Annual Report produced since its listing on Bursa Securities on 28 June 2012. The AIR provides a comprehensive report of the Group's operations and financial performance.

An online version of the AIR is also available on our website at www.fgvholdings.com

STATEMENT BY THE BOARD

This Statement was made in accordance with a resolution of the Board of Directors approved on 17 April 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INSIDE THIS STATEMENT

Material Matter: **GE**

Our Statement on Risk Management and Internal Control (SORMIC) is aligned with the guidelines and principles set out in:

Malaysian Code on Corporate Governance 2017 (MCCG 2017)

Bursa Securities' Corporate Governance Guide 2017 (Para 15.26(b) of the Bursa Securities Listing Requirements)

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HIGHLIGHTS OF THE YEAR

RECEIVED INTERNATIONALLY RECOGNISED ANTI-BRIBERY MANAGEMENT SYSTEMS (ABMS) CERTIFICATION

ISO 37001:2016

1st PALM OIL COMPANY IN MALAYSIA TO RECEIVE ABMS CERTIFICATION

AMONG THE FIRST **40** COMPANIES IN MALAYSIA TO BE ABMS-CERTIFIED

ROLLED OUT TO
259 SITES
15 FGV COMPANIES
11 CORPORATE CENTRES

LARGE-SCALE IMPLEMENTATION **ACROSS THE GROUP** ENCOMPASSING OPERATIONS IN PENINSULAR MALAYSIA, SABAH AND SARAWAK

FGV'S INTERNAL CONTROL STRENGTHENED THROUGH **CORRUPTION RISK MANAGEMENT** (CRM) WORKSHOPS THAT ASSESSED CORRUPTION AND FRAUD RISKS, AND ESTABLISHING CRM RISK REGISTERS GROUP-WIDE

ENHANCED INTERNAL CONTROL THROUGH THE LAUNCH OF:

FGV CORPORATE GOVERNANCE AND BUSINESS INTEGRITY BLUEPRINT

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

HOW WE APPROACH RISK

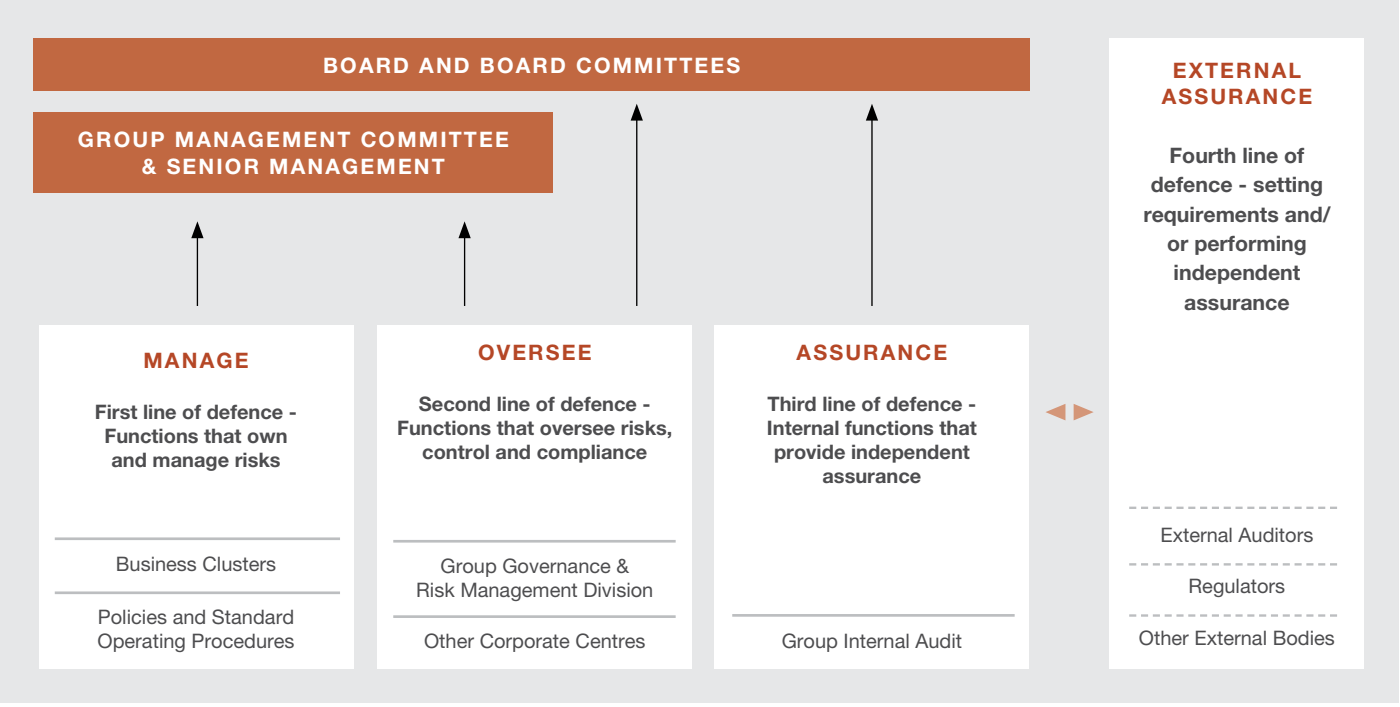
The achievement of the strategies enshrined in the strategic plan requires a strong risk-centric approach to ensure the Group is always aware and prepared for the myriad risks faced by the business.

This is underpinned by our robust internal controls and oversight framework, which are necessary prerequisites to the achievement of the Group's objectives.

OVERVIEW OF OUR APPROACH

Effective risk management is an integral part of our business model and is intended to seek opportunities from the risks, lessen the potential impacts in the event risks are crystallised and protect our reputation, while ensuring profitability and business growth remain paramount.

The matrix for oversight, assurance, risk management and internal control is clearly set up in FGV. Our risk management oversight approach is premised on the four lines of defence model, coordinating the various players involved and their activities to effectively inculcate sound risk culture.



RESPONSIBILITIES AND ACCOUNTABILITIES

The Board acknowledges the principal risks in all aspects of the Group's businesses and recognises that business decisions involve taking appropriate risks. The Board ensures that there are systems in place that effectively monitor and manage these risks.

For areas pertaining to risk management and internal control, the Board is responsible for the following:

i. Determining the Group's overall risk appetite and level of risk tolerance and actively identifying, assessing and monitoring key business risks to safeguard shareholders' investments and the Group's assets, and communicating the same to the Senior Management.
ii. Appraising the Group's major current and emerging risks and ensuring that appropriate risk management and internal control procedures are in place.
iii. Considering and approving the Group's overall risk-reward strategy and framework for managing all categories of current and emerging risks relevant to the sustainability of the Group's businesses and the well-being of the Group and its stakeholders, consistent with its level of risk tolerance.
iv. Ensuring proper implementation and review the Group's internal controls system, which is continually upgraded to mitigate the Group's current and emerging risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Board
Ensures that there are systems in place that effectively monitor and manage these risks

Board Governance & Risk Management Committee is tasked with directing and overseeing the formulation of a structured mechanism in the Group to inculcate a strong governance, ethical, integrity and risk management culture within the Group.	Audit Committee is tasked with assessing the effectiveness of the system of internal control vis-à-vis the risks, control environment and compliance requirements of the Group.	Investment Committee is tasked with ensuring investments undertaken are aligned to the Group's objectives, vision and overall risk appetite.	Nomination and Remuneration Committee is tasked with ensuring that the Group's remuneration framework attracts and retains the right talent with appropriate competencies to ensure organisation capability and human resources.	Board Tender Committee is tasked with reviewing, monitoring and recommending to the Board significant matters related to procurements of the Group in line with FGV's prevailing Discretionary Authority Limit and Group Procurement Policies and Procedures.

Further details of the Board Committees' Terms of Reference are published on our website www.fgvholdings.com

OUR RISK MANAGEMENT FRAMEWORK

The framework seeks to minimise risk incidents and maximise business outcomes by allowing us to:

- Understand the risk environment and assess the specific risks and potential exposure.
- Determine how best to deal with these risks to manage overall potential exposure.
- Manage the identified risks in appropriate ways.
- Monitor and seek assurance on the effectiveness of the management of these risks and intervene for improvement where necessary.
- Escalate to the Management and Board on a periodic basis how significant risks are being managed, monitored, assured and mitigated.

An overview of Risk Reporting Architecture is depicted below:

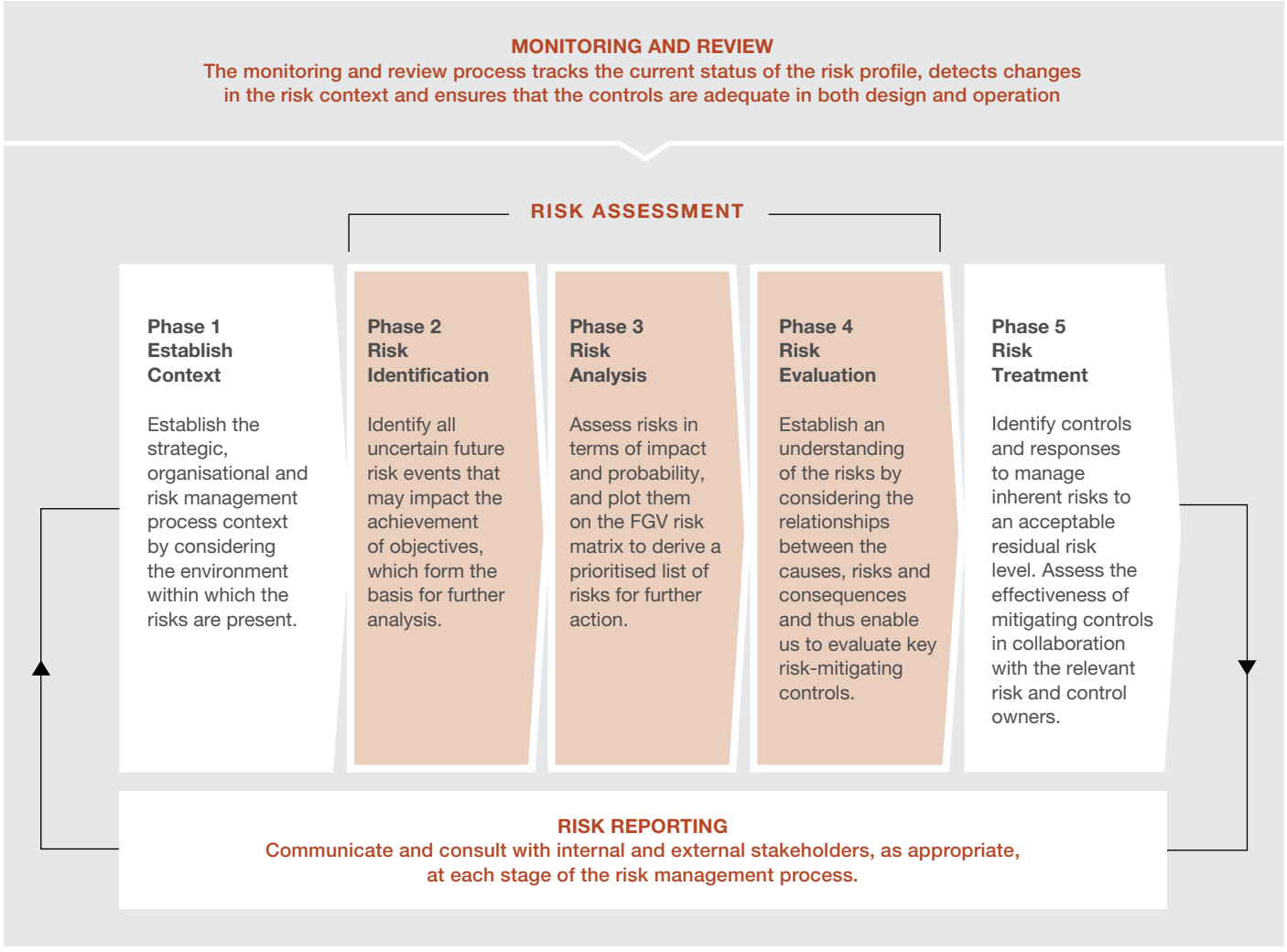
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS

FGV manages, monitors and reports on the key risks and uncertainties that can impact our ability to deliver our strategy while creating long-term shareholder value.

Our management systems, through our organisational structure, Policies and Procedures, core values and code of conduct, together form a system of internal control that governs how we operate the business of FGV and manage associated risks.

Our risk management process is supported by Policies and Procedures that are consistent with the ISO 31000 Risk Management Standard, developed to aid employees in undertaking their risk management responsibilities.



Further details on the links between material matters, strategy and risks can be found on pages 22-23.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

GROUP GOVERNANCE & RISK MANAGEMENT (GGRM) DIVISION

At the Management level, the Board is supported by a dedicated GGRM Division that undertakes the following responsibilities within the ambit of its Strategic, Operational, Ethics & Integrity and Whistleblowing & Detection Departments:

STRATEGIC

RISK REPORTING & ANALYTICS	RISK FRAMEWORK & REVIEW	QUALITY ASSURANCE
Build core risk analytics and intelligence capability for risk analysis to produce quarterly report.	Implement a robust Risk Management Framework and facilitate risk assessment process, strategic business initiatives and project proposals.	Facilitate the formulation of P&P and provide advisory based on business needs and requirements.

OPERATIONAL

ENTERPRISE RISK MANAGEMENT SYSTEM (ERMS)	BUSINESS CONTINUITY MANAGEMENT (BCM)	COMPLIANCE
Establish, review and monitor risk registers including mitigation plans via ERMS. Conduct awareness and training to improve competency on risk management.	Facilitate the development of Business Continuity Plans and coordination of BCM testing and crisis simulation exercises. Promote strong BCM culture and awareness throughout the organisation.	Analyse audit observations to identify corruption risk and establish corruption risk registers. Conduct training programmes and preparation for Corruption Risk Management (CRM) risk registers.

ETHICS & INTEGRITY

ETHICS & INTEGRITY ENGAGEMENT	ETHICS & INTEGRITY AWARENESS
Oversee and monitor implementation of the ethics and integrity programme, ensuring that all Group employees as well as Management are knowledgeable and comply with relevant policies and standards.	Conduct educational and training programmes that focus on ethics, integrity and compliance Group-wide, including vendors, contractors and agents.

WHISTLEBLOWING & DETECTION

WHISTLEBLOWING	DETECTION
Manage complaints on any improper conduct committed or about to be committed through whistleblowing channels and provide protection for the whistleblower and conduct awareness programmes.	Investigate whistleblowing complaints received, focusing on bribery, abuse of power and fraud, and recommend appropriate actions.

STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL

Anti-Bribery Management Systems (ABMS) ISO 37001:2016 Certification	GGRM spearheaded the required process in achieving ABMS ISO 37001:2016 certification including documentation of ABMS manuals and SOPs, appointment of certification body, internal auditor training, Top Management and Governing Body review, briefing to site owners and SIRIM audit: stage 1 and stage 2. FGV was successfully awarded the SIRIM certification on 17 December 2019.
Corruption Risk Management (CRM) Training	Conducted CRM training for companies and corporate centres on the identification of corruption risks and preparation of CRM risk registers.
FGV Corporate Governance and Business Integrity Blueprint	The Blueprint was launched in May 2019 as a continuation of the previous FGV Integrity Plan (FGV-IP), covering the period from 2019 to 2021 and serving as the strategic long-term plan for FGV Group in enhancing governance and integrity practices in its management processes and business operations.
FGV Group Quarterly Risk Report	GGRM publishes its Quarterly Risk Report as a reporting tool to inform the Management, Board Committees and Board of the key risks horizon associated with the Group's business and operations, covering the Group's Top 10 risks and mitigation details, key risks beyond the risk registers, project risks, reputational risks, emerging risks, Risk Appetite Statements, key incidents and BCM updates, supplemented by monthly one-page risk summaries.

OUR GOVERNANCE AND RISK MANAGEMENT CULTURE

Continuous integration between strategies, governance and risk management is carried out to ensure a sound approach is embedded into business decision making and aligned with the Group's strategic objectives and aspirations.

Listed below are the key governance and risk management activities undertaken by GGRM to reinforce the governance and risk management culture within the Group:

Project Risk Assessment	Assisted the business in performing risk assessments of various business and project proposals based on the revised process by completing a Risk Assessment template as a prerequisite to the investment papers. GGRM ensured sound methodology was applied in the dimensioning and quantification of the relevant project or business risks.
Risk Appetite Statement (RAS)	RAS is a tool to measure business risk profiles using relevant key risk indicators and to ensure risk profiles are monitored based on a quantifiable methodology and measured against risk tolerance levels. Five additional key risk drivers were incorporated into the existing Group RAS to further strengthen the measurement of the risk profiles.
Policies and Limit of Authorities (LOA)	Facilitated the formulation of new policies by ensuring compliance to 'Mother Policy', conducted challenge process and worked closely with policy owners until approval was obtained from the Board. Reviewed and enhanced existing policies and facilitated challenge sessions with working committees and policy owners. Assisted with the formulation, development and revision of LOAs. Approved Policies and Procedures were deposited into the Compliance Management System.
Divisional Risk Reporting Committee (DRRC) Meetings	DRRC meetings were held on a quarterly basis where key risk matters in the Quarterly Risk Report were deliberated on and endorsed by the various representatives. The DRRC was established as a think-tank to address and provide updates on matters pertaining to risk management, especially in relation to preparation of quarterly risk reporting.
Enterprise Risk Management System (ERMS) and Risk Register Training	ERMS awareness and risk register training sessions were conducted to educate staff on system functionalities and provide facilitation on risk assessment process.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

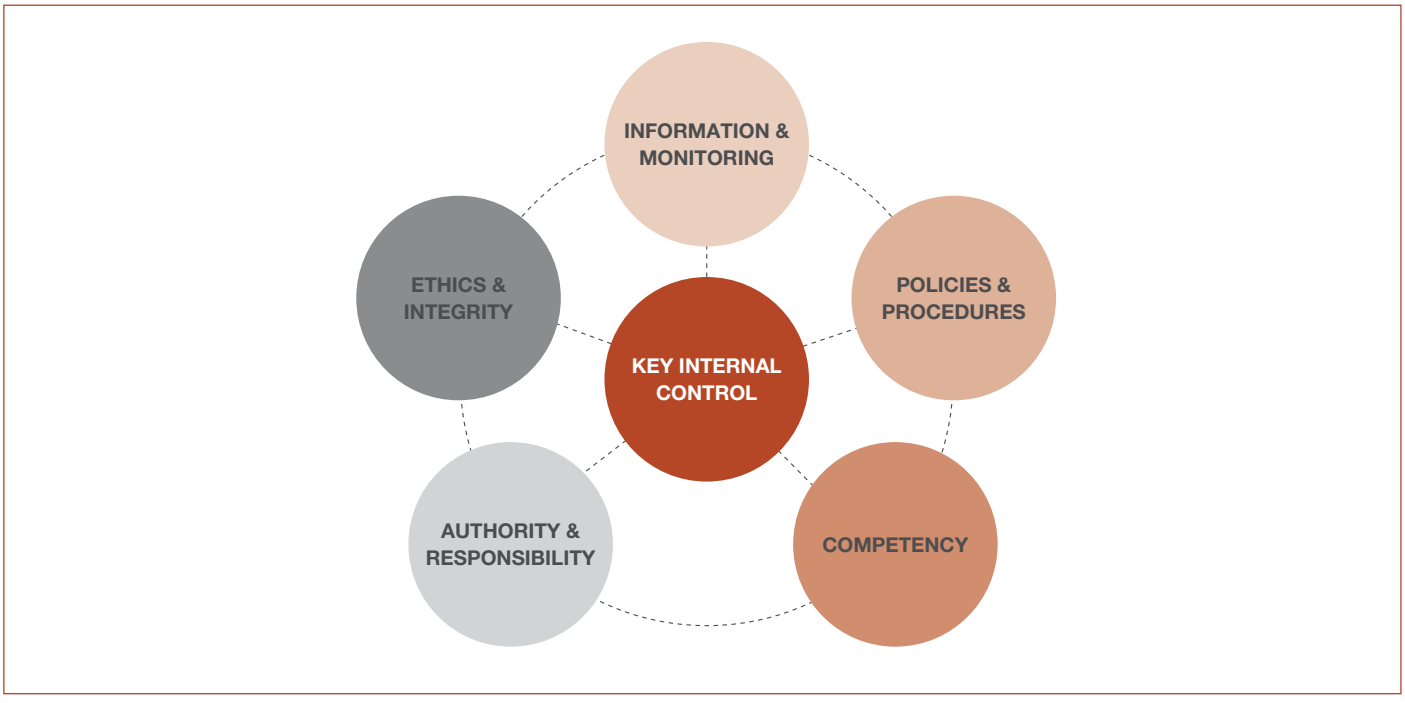
Review of Risk Registers	Existing risk registers were reviewed jointly with the respective risk owners or via a table-top approach, to ensure the analysis and corresponding mitigation measures and action plans were effective and adequately documented.
Business Continuity Management (BCM) Awareness and Training	BCM awareness training was conducted to educate staff on the objective of BCM, its policies and procedures, as well as roles and responsibilities in the implementation of BCM.
Business Continuity Plans (BCP) Reviews and Testing	BCP reviews were performed to ensure criticality of functions and business impact assessments were current and reflective of the latest operational environment. BCP testing was conducted to ensure that FGV was capable of managing any risk event and able to handle disruptions in its critical activities and functions.
ABMS and Corporate Liability Awareness	Executed awareness programmes in various regions to ensure all employees understood the importance of Corporate Liability in Section 17A of the Malaysian Anti-Corruption Commission Act 2009 as well as the implementation of ABMS.
Whistleblowing Awareness Programmes	Conducted whistleblowing awareness programmes to educate FGV employees through email blasts, posters and the GGRM Hub.

Further details on the links between material matters, strategy and risks can be found on pages 22-23 of this report.

INTERNAL CONTROL STRUCTURES

Our integrated internal control framework provides reasonable assurance to support the achievement of our strategic objectives. The framework is applicable to all subsidiaries within the Group except for the joint venture companies and associates not managed by us. Nevertheless, 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.

The key elements of our internal control structures are as follows:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Policies & Procedures

Our commitment towards internal control is clearly defined in our formal Policies & Procedures (P&P), in which proper formulation and review of the P&P is guided by the Governance of Policies & Procedures Policy. For new establishment and revision of policies, there will be a challenge process by a dedicated P&P working committee to ensure good governance practice is in place and that the scope of the P&P is adequate and consistently applied throughout the Group. These P&P are established with reference to International Standards such as, inter alia, ISO 9001, ISO 14001, OSHAS 18001, RSPO, HACCP and HALAL and also facilitate compliance with regulations, listing and governance requirements.The P&P are reviewed periodically to remain effective and relevant to support the Group's business activities at all times as it continues to grow and transform locally and across borders.

The P&P are stored in the Compliance Management System (internal hub) for easy access by employees and have been communicated across the Group via internal email. In ensuring the P&P are being implemented and complied with, awareness programmes are periodically conducted through roadshows and forum events.

We have recently reviewed and revised the following P&P:

- **Group Human Capital Policies**
  The Group Human Capital Policies have been reviewed and revised as part of a major transformation exercise in 2019 to provide guidelines as well as better understanding on the approach adopted by the organisation towards its employees concerning various aspects of employment. The revised Group Human Capital Policies have been communicated to all employees across the Group through internal email and roadshows.
- **Corporate Responsibility Policy**
  This was to ensure that FGV Group of companies shall implement strategic sustainable corporate responsibility initiatives to support the community and contribute to FGV's business values and image, thus gaining trust and support from stakeholders.
- **Group Information Technology Policies**
  To provide direction, coordination and management of relevant Information & Communication Technology (ICT) resources, processes and practices to ensure consistent, high-quality implementation and management of FGV's ICT, while adding value to FGV and FGV Group's business operations via ICT.

Ethics & Integrity

FGV is committed to applying the highest standards of ethical conduct and integrity in conducting its business activities by putting in place adequate Policies & Procedures as the fundamentals for internal control. It is also aligned with the Guidelines on Adequate Procedures for Corporate Liability, which are based on the five guiding principles of T.R.U.S.T. In tightening up the Group's internal control, FGV has developed and enhanced the following policies:

- **Anti-Bribery Policy Statement**
  FGV is committed to encouraging transparent and good ethical conduct and upholding a good image of integrity, transparency and accountability in all aspects of its business.
- **Code of Business Conduct and Ethics (CoBCE) for Employees**
  The CoBCE guides our employees in embracing the Group's values and in complying with applicable laws and regulations through honest, transparent and ethical business practices. The CoBCE covers areas such as compliance, integrity, conduct in the workplace, business conduct, protection of the Group's assets, confidentiality and conflict of interest.
- **External Gift, Entertainment & Hospitality Policy (GEH)**
  The GEH Policy is 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.
- **Asset/Personal Interest Declaration Policy (APID)**
  The APID Policy is intended to reflect Directors and employees' transparency towards the Group. It is also to ensure that assets and personal interests are acquired through reasonable legal means within their financial capacities and free from situations of conflict of interest.
- **Sponsorships & Donations Policy**
  To align sponsorship & donation practices within FGV Group, to protect FGV's assets and to be in line with the National Integrity Plan, with the aim of reducing and eliminating corruption and business malpractice.
- **Referral Policy**
  This policy provides guided parameters to ensure that referral protocols are adhered to in relation to when the information is received, the results of investigation and any other matters related to it. Employees of FGV Group shall uphold the principles of integrity in their business operations. All employees shall cooperate and support all initiatives in order to prevent any misconduct or criminal offences.
- **Conflict of Interest Policy**
  All employees and third parties of FGV Group shall act, at all times, in the best interest of 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, or any activity that conflicts with FGV Group's interest.
- **Whistleblowing Policy and Procedures**
  This policy is to establish the rules and principles for the process of complaint management, investigations and protection for the whistleblower. It provides various avenues for any employee or member of the public, including the minority shareholders, to report any improper conduct (misconduct or criminal offence) committed or about to be committed.

  FGV is committed to fostering a culture of integrity and accountability, subsequently educating employees on raising concerns about any improper conduct (criminal offence or misconduct) and giving assurance of a secure and accessible channel as well as protection to whistleblowers.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Competency

In order to ensure business sustainability and a continuous supply of competent workers, we have established the FGV Leadership Competency Model, which is based on the existing FGV Core Values – P.R.I.D.E. This competency model shall be part of Group Human Capital (GHC) processes including performance management, promotion and recruitment, among others. It is an important part of our overall business strategy and supports the management of change, enhances employee engagement and helps drive a high-performance culture. To meet the demands of the business and the industry, FGV requires a continuous supply of competent employees. The following are programmes developed and executed in 2019:

- **Supervisor Programme**
  Supervisors are the backbone of the Upstream Plantation Sector. We ensure they are properly trained in their functional areas. Their role as front-line leaders is very important in creating an innovative supportive culture and in ensuring FGV's primary workforce is well led, engaged and productive.
- **Cadet Planters**
  The Cadetship in Plantation Management Course (Cadet Planters) and Cadetship in Palm Oil Mill Engineering Programme (Cadet Mil Engineers) are designed to ensure continuation of talent, especially in these critical areas.
- **Young Shapers Programme (YSP)**
  YSP is an initiative by Group Human Capital launched in May 2019 to develop and drive a group of potential young talents, aged 35 and below, as enablers to boost FGV's transformation plans and create a culture of performance excellence.

Information & Monitoring

Our performance against our business plan and annual budget is measured and monitored through the following mechanisms:

Tableau Online Performance Dashboard

Selected key employees use the Tableau as a performance dashboard to monitor monthly business performance and to analyse and make appropriate business decisions with the view of achieving the Group's organisational goals. The Tableau performance dashboard covers both financial and operational parameters.

The dashboard is reviewed by the Group Chief Financial Officer (GCFO) and subsequently presented to the Group Management Committee (GMC) on a monthly basis.

Financial and Operational Review

The GCEO and GCFO present the Group Quarterly Financial Statements and Operational Performance analysis to the Audit Committee and the Board. The Board-approved Group Quarterly Financial Statements are subsequently announced to Bursa Securities.

In addition, monthly financial and operational reviews are conducted at GMC level.

Authority & Responsibility

- **Organisation Structure**
  The Group made minor amendments to its organisation structure in 2019 whereby the sectors were reduced to three – the Plantation Sector, Logistics & Others Sector and Finance & Corporate Services Sector. Corporate Centre Divisions shall continue to provide support to the businesses. MSM Malaysia Holdings Berhad, which was previously the Sugar Sector, is another business division in the organisation structure alongside the three sectors.
- **FGV Group's Limit of Authorities**
  The FGV Board, on 28 August 2019, approved the Group LOA, which supersedes the previous various limit of authorities, including Discretionary Authority Limits, Employee Approving Authority, Legal Authority Limits and Procurement Authority Limits. The Group LOA empowers Management in executing its day-to-day financial and operational activities and promotes organisational efficiency while ensuring the Group's business conduct and tolerance for risks. The Group LOA establishes a sound framework as well as accountability within the Group, including the segregation of duties, which facilitate timely, effective and quality decision making in addition to stricter financial controls.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL

In ensuring continuous improvement of the risk management and internal control system, FGV conducted the following review processes during the financial year:

Assessment of Controls	Business units, in collaboration with GGRM, conducted assessments on the effectiveness of controls over key risk areas surrounding their operations and other initiatives. The exercise was meant to ascertain whether the emplaced controls were adequate and operating as intended or required improvement in order to fully address the identified gaps.
Review of Risk Register	GGRM coordinated the quarterly review of risk registers with the business units to ensure changes in the risk profiles were captured in the ERMS, assessed and evaluated and that appropriate mitigation measures were being formulated.
Independent Group Internal Audit Review	Group Internal Audit conducted regular and systematic reviews to provide independent and objective assurance to the Audit Committee and Management, focusing on the adequacy and effectiveness of control over governance, risk management and processes.

RISK MANAGEMENT APPROACH FOR FGV'S LISTED SUBSIDIARY

MSM Malaysia Holdings Berhad (MSM), as a listed subsidiary of FGV, undertakes its risk management and internal control responsibilities through its Audit Committee, Investment Committee and Board Governance & Risk Management Committee for subsequent deliberation by MSM's Board. Any risks identified as having significant impact on FGV Group are reported to FGV Board's Governance & Risk Management Committee and where they have a direct impact on the financial performance of the Group, are reported directly to the FGV Audit Committee, and subsequently to FGV's Board.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

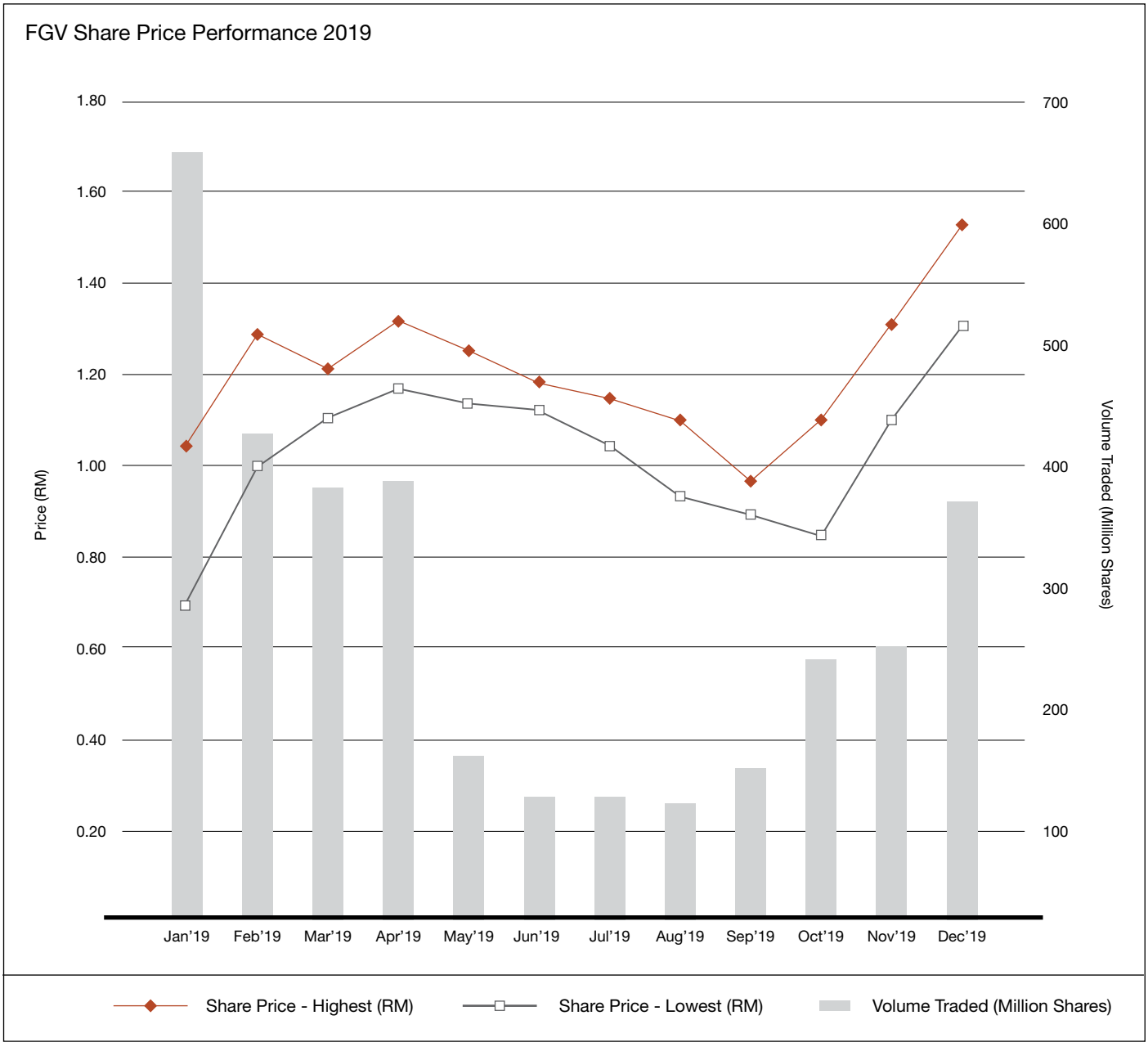
As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide (AAPG) 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

STATEMENT BY THE BOARD

Based on the processes and measures undertaken by the Board and its Committees during the financial year and reasonable assurance provided by the GCEO and the GCFO, the Board is of the view that the Risk Management Framework and internal control system as described in this Statement have been operating adequately and effectively in all material aspects to safeguard the interests of our stakeholders.

This Statement was made in accordance with a resolution of the Board of Directors approved on 17 April 2020.

SHARE PRICE MOVEMENT



FINANCIAL CALENDAR

FINANCIAL CALENDAR 2019

Quarterly Results

28 February 2019
Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2018.

29 May 2019
Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2019.

28 August 2019
Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2019.

28 November 2019
Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2019.

Annual Audited Accounts

29 April 2019
Announcement of the Annual Audited Accounts for the financial year ended 31 December 2018 and issuance of Annual Integrated Report 2018.

Annual General Meeting and Extraordinary General Meeting

29 April 2019
Notice of the 11th Annual General Meeting

12 November 2019
Notice of the Extraordinary General Meeting.

25 June 2019
11th Annual General Meeting.

27 November 2019
Extraordinary General Meeting.

FINANCIAL CALENDAR 2020

Quarterly Results

28 February 2020
Announcement of the unaudited consolidated results for the 4th quarter ended 31 December 2019.

Annual Audited Accounts

28 April 2020
Announcement of the Annual Audited Accounts for the financial year ended 31 December 2019 and issuance of Annual Integrated Report 2019.

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2020

Issued and Paid-up Share Capital	:	3,648,151,500 ordinary shares and 1 special share
Class of Shares	:	Ordinary shares Special share
Voting Right	:	One (1) vote per ordinary share

DISTRIBUTION SCHEDULE OF SHARES

Category	No. of Shareholders	Percentage of Shareholders (%)	No. of Shares	Percentage of Shares (%)
Less than 100	620	1.00%	4,972	0.00%
100 - 1,000	41,118	66.15%	32,343,378	0.89%
1,001 - 10,000	13,679	22.00%	66,728,522	1.83%
10,001 - 100,000	5,793	9.32%	187,376,306	5.13%
100,001 to less than 5% of issued shares	943	1.52%	1,272,694,847	34.89%
5% and above of issued shares	8	0.01%	2,089,003,475	57.26%
TOTAL	**62,161**	**100.00%**	**3,648,151,500**	**100.00%**

INFORMATION ON DIRECTORS' SHAREHOLDINGS

No.	Name of Director	Direct Interest		Indirect Interest	
		No. of Shares Held	Percentage of Shares (%)	No. of Shares Held	Percentage of Shares (%)
1	DATUK WIRA AZHAR ABDUL HAMID	1,000,000	0.03	-	-
2	DR. ZUNIKA MOHAMED	-	-	-	-
3	MOHD HASSAN AHMAD	-	-	-	-
4	DATO' DR. OTHMAN HAJI OMAR	-	-	-	-
5	DATO' YUSLI MOHAMED YUSOFF	-	-	-	-
6	DATUK MOHD ANWAR YAHYA	-	-	-	-
7	DATIN HOI LAI PING	-	-	-	-
8	DR. MOHAMED NAZEEB P.ALITHAMBI	7,000	0.00	-	-
9	DR. NESADURAI KALANITHI	-	-	-	-

Note:

- *The Directors' Interests in Shares of FGV and its related corporations are set out in the Directors' Report in FGV's Financial Statements for the financial year ended 31 December 2019.*
- *Dato' Haris Fadzilah Hassan, Group Chief Executive Officer of FGV, who is not a Director of FGV, has indirect interest of 50,000 shares in FGV.*

ANALYSIS OF SHAREHOLDINGS
AS AT 20 MARCH 2020

INFORMATION ON SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE)

No.	Name of Shareholder		Direct Interest		Indirect/Deemed Interest	
			No. of Shares Held	Percentage of Shares (%)	No. of Shares Held	Percentage of Shares (%)
1	LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)		775,029,800	21.24	452,921,192*	12.42
	- Own Account	203,188,300				
	- Own Account (MOF - Akaun Jaminan Pinjaman Kerajaan Persekutuan)	200,000,000				
	- Maybank Nominees (Tempatan) Sdn. Bhd. (415321)	371,841,500				
2	FELDA ASSET HOLDINGS COMPANY SDN. BHD.		452,921,192	12.42	-	-
	- Own Account	452,921,192				
3	URUSHARTA JAMAAH SDN. BHD.		283,710,100	7.78	-	-
	- Citigroup Nominees (Tempatan) Sdn. Bhd.	283,710,100				
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)		241,397,300	6.62	-	-
	- Own Account	203,668,200				
	- Citigroup Nominees (Tempatan) Sdn. Bhd. (DiPerbadankan Aberdeen)	23,135,400				
	- Citigroup Nominees (Tempatan) Sdn. Bhd. (DiPerbadankan Principal Eqits)	6,786,200				
	- Citigroup Nominees (Tempatan) Sdn. Bhd. (DiPerbadankan Abdn Eq Absr Fd)	2,183,600				
	- Citigroup Nominees (Tempatan) Sdn. Bhd. (DiPerbadankan UOB Am Sc Eq)	1,580,000				
	- Citigroup Nominees (Tempatan) Sdn. Bhd. (DiPerbadankan Principal Islmc)	1,390,000				
	- Citigroup Nominees (Tempatan) Sdn. Bhd. (DiPerbadankan Aiiman Is Eq)	1,353,500				
	- Citigroup Nominees (Tempatan) Sdn. Bhd. (DiPerbadankan Amislamic FD)	700,400				
	- Citigroup Nominees (Tempatan) Sdn. Bhd. (DiPerbadankan MYBK Am Sc E)	600,000				
5	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD		191,266,608	5.24	-	-
	- Own Account	191,266,608				
6	KERAJAAN NEGERI PAHANG		182,407,575	5.00	-	-
	- Maybank Nominees (Tempatan) Sdn. Bhd.	182,407,575				

Note:
** Deemed interest by virtue of its interest in Felda Asset Holdings Company Sdn. Bhd.*

ANALYSIS OF SHAREHOLDINGS
AS AT 20 MARCH 2020

LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Share Held	Percentage of Shares (%)
1	FELDA ASSET HOLDINGS COMPANY SDN. BHD.	452,921,192	12.42%
2	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (464016811369)	371,841,500	10.19%
3	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. URUSHARTA JAMAAH SDN. BHD. (1)	283,710,100	7.78%
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	203,668,200	5.58%
5	LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	203,188,300	5.57%
6	MINISTER OF FINANCE AKAUN JAMINAN PINJAMAN KERAJAAN PERSEKUTUAN	200,000,000	5.48%
7	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	191,266,608	5.24%
8	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR KERAJAAN NEGERI PAHANG	182,407,575	5.00%
9	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SAWIT KINABALU SDN. BHD.	82,610,989	2.26%
10	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD	72,541,000	1.99%
11	UOB KAY HIAN NOMINEES (TEMPATAN) SDN. BHD. SDB ASSET MANAGEMENT SDN. BHD. FOR CHIEF MINISTER STATE OF SABAH	65,934,066	1.81%
12	LEMBAGA TABUNG ANGKATAN TENTERA	45,593,900	1.25%
13	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	36,534,000	1.00%
14	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	31,820,250	0.87%
15	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR CGS-CIMB SECURITIES SDN BHD (FELDA IPO SMF)	29,381,600	0.81%
16	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	29,269,057	0.80%
17	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	23,135,400	0.63%
18	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TA KIN YAN (7000778)	21,300,000	0.58%
19	UOB KAY HIAN NOMINEES (TEMPATAN) SDN. BHD. SDB ASSET MANAGEMENT SDN. BHD. FOR EKUITI YAKINJAYA SDN. BHD.	20,869,113	0.57%
20	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MTRUSTEE BERHAD FOR PRINCIPAL DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)	20,516,300	0.56%
21	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	20,000,000	0.55%
22	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	18,486,600	0.51%
23	RHB NOMINEES (TEMPATAN) SDN. BHD. OSK CAPITAL SDN. BHD. FOR YAYASAN ISLAM TERENGGANU	16,455,100	0.45%
24	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG PENNY STOCKFUND	16,100,000	0.44%
25	HONG LEONG ASSURANCE BERHAD AS BENEFICIAL OWNER (LIFE PAR)	16,015,000	0.44%
26	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TA KIN YAN	15,584,500	0.43%
27	AMSEC NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AMBANK ISLAMIC BERHAD (FELDA)	14,746,000	0.40%
28	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	14,716,000	0.40%
29	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (ABERISLAMIC)	14,352,700	0.39%
30	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	13,824,500	0.38%

TOP 10 PROPERTIES OF FGV GROUP

Location	Tenure	Year Lease Expiring	Approximate Area (Hectares)	Description	Year of Acquisition	Net Book Value (RM'000)
1. **Sabah** Sahabat 07, Sahabat 30, Sahabat 40, Sahabat 41, Sahabat 42, Sahabat 43, Sahabat 46, Sahabat 48, Sahabat 50, Sahabat 51, Sahabat 52, Sahabat 53, Sahabat 54, Sahabat 21, Sahabat 22, Sahabat 23, Sahabat 24, Sahabat 25, Sahabat 26, Sahabat 28, Sahabat 31, Sahabat 33, Sahabat 34, Sahabat 35, Sahabat 36, Sahabat 09, Sahabat 10, Sahabat 11, Sahabat 12, Sahabat 16, Sahabat 17, Sahabat 20, Sahabat 38, Sahabat 39, Sahabat 44, Sahabat 45, Sahabat 55, Sahabat 56, Kalabakan Selatan, Kalabakan Utara 01, Umas 05, Umas 06, Tenegang, Sahabat, Tawau, Lahad Datu, Umas, Baiduriayu, Kalabakan, Embara Budi, Fajar Harapan, Merchu Puspita, Hamparan Badai, Kembara Sakti, Nilam Permata, Jeragan Bistari, Lanchang Kemudi	Leasehold	2028 – 2887	128,692	Oil palm estates, palm oil mills and refining plant	1996 – 2013, 2016	1,134,200
2. **Sarawak** Lot 15 Dulit Land Batang Tinjar, Baram. Lot 20 Dulit Land Long Aya, Tinjar, Baram. Lot 10 Dulit Land Batang Tinjar, Baram. Lot 16 Dulit Land Batang Tinjar, Baram. Lot 68, Bok Land, Sg Bok, Dulit, Baram. Lot 23 Dulit Land Sg Bok, Dulit, Baram. Lot 17, 18 & 19 Patah Land District, Sg Aran & Sg Tema-ah, Miri. Sampadi 01, Sampadi 03, Sampadi 04, Sampadi 05, Sampadi 06, Sampadi	Leasehold	2063 – 2111	32,803	Oil palm estates, palm oil mills and office building	2012 – 2014	222,286
3. **Pahang Darul Makmur** Berabong 01, Selendang 03, Selendang 04, Selanchar 06, Selanchar 08, Selanchar 09, Chegar Perah 02, Kechau 02, Kechau 03,Kechau 06, Kechau 07, Kechau 08, Kechau 10, Kechau 11, Krau 02, Krau 04, Telang 01, Bera Selatan 01, Bera Selatan 03, Bera Selatan 04, Bera Selatan 05, Bera Selatan 07, Keratong 11, Mengkarak 01, Mengkarak 02, Tembangau 03, Tembangau 05, Tembangau 06, Tembangau 08, Tembangau 07, Tembangau 09, Bukit Sagu 04, Bukit Sagu 06, Bukit Sagu 07, Bukit Sagu 08, Lepar Hilir 05, Lepar Hilir 06, Lepar Hilir 08, Merchong, Chini Timur 04, Lepar Utara 05, Lepar Utara 07, Lepar Utara 08, Lepar Utara 09, Lepar Utara 11, Lepar Utara 14, Terapai 01, Terapai 03, Triang 02, Triang 04, Triang Selatan 01, Kuantan, Jengka 21, Keratong 2, Bkt Mendi, Pdg Piol, Kepayang, Gelanggi, Neram, Chini 3, Tementi, Mempaga, Kemasul, Keratong 3, Seroja, Tersang, Keratong 9, Selendang A, Lepar Utara 4, Chini 2, Jengka 8, Lepar Hilir, Bukit Sagu, Lepar Utara 6, Panching, Triang, Kerau, Kechau A, Kechau B, Tanjung Gelang	Leasehold	2027 – 2111	143,902	Oil palm estates, palm oil mills and refining plant	2012	234,966

TOP 10 PROPERTIES OF FGV GROUP

Location	Tenure	Year Lease Expiring	Approximate Area (Hectares)	Description	Year of Acquisition	Net Book Value (RM'000)
4. **Johor Darul Takzim** Inas Selatan, Kledang 02, Maokil 06, Maokil 07, Nitar Timur, Paloh, Tenggaroh 09, Tenggaroh 11, Tenggaroh 12, Tenggaroh 13, Tenggaroh Timur 02, Palong Timur 04, Palong Timur 05, Semencu, Pasir Gudang, Semencu, Bukit Besar, Air Tawar, Penggeli, Kahang, Lok Heng, Selanchar 2A, Tenggaroh 4, Adela, Moakil, Nitar, Selanchar 2B, Belitong, Wa Ha, Tenggaroh Timur, Kulai, Plentong, Tanjung Langsat Industrial Complex.	Leasehold	2018 – 2111	33,914	Oil palm estates, palm oil mills and margerine plant, warehouse, sugar refinery plant and two-storey office	2012 – 2015	265,873
5. **Kelantan Darul Naim** Aring 02, Aring 03, Aring 04, Aring 05, Aring 06, Aring 08, Aring 10, Chiku 04, Chiku 08, Aring B, Kemahang, Chiku, Aring A	Leasehold	2111	24,620	Oil palm estates and palm oil mills	2012	101,340
6. **United States of America** 740-760, 749-773, and 780 Washington Street, Quincy, Massachusetts, 02169 United States of America.	Freehold		Built up area: 4.38	Production of fatty acids, oleic acids and stearic acids, production of refined glycerine, transportation of raw material and finished products via railroad connecting the plant located in Quincy and Braintree train station	2008 – 2009	62,546
7. **Perlis Indera Kayangan** PN 37, Lot No : 2040, Kampong Baru, Chuping. PN 39, Lot No : 2035, Bukit Merah, Chuping. PN 40, Lot No : 2038, Store Chia, Chuping. PN1755, Lot 18794, Mukim Chuping. PN 43, Lot No : 2037, Air Hujan, Chuping. HS (D) 145, PT, Chuping.	Leasehold	2061 – 2072	4,340	Rubber and other crops plantation and buildings	2011	79,427
8. **Terengganu Darul Iman** Chador 01, Cherul 03, Rantau Abang 01, Semaring 01, Setiu 01, Jerangau Baru, Jerangau Barat, Kertih, Chalok, Kuala Nerus	Leasehold	2061 – 2111	13,395	Oil palm estates and palm oil mills	2012	40,580
9. **Negeri Sembilan** Palong 17, Palong 18, Palong 21, Serting Hilir 08, Serting, Serting Hilir, Palong Timur, Pasoh	Leasehold	2111	12,867	Oil palm estates and palm oil mills	2012	26,749
10. **Perak** Besout 06, Besout 07, Lawin Tengah, Nenering 02, Tawai 01, Tawai 02, Trolak, Besout	Leasehold	2111	15,551	Oil palm estates and palm oil mills	2012	20,730

ADDITIONAL DISCLOSURE

UTILISATION OF PROCEEDS

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2019.

NON-AUDIT FEES

The amount of non-audit fees rendered to the Group by its external auditors, PricewaterhouseCoopers PLT (PwC), for the financial year ended 31 December 2019 amounted to RM30,000 and was within the allowable threshold.

MATERIAL CONTRACTS

Save for those disclosed in the Financial Statements, there was no other material contract entered into by the Company or its subsidiaries either still subsisting at the end of the financial year 2019 or entered into since the end of the previous financial year ended 31 December 2018.

LONG TERM INCENTIVE PLAN (LTIP)

Details of the LTIP are provided on page 3 of FGV Audited Financial Statements 2019.

SHARE ISSUANCE SCHEME

There was no Share Issuance Scheme declared or implemented in 2019.

RECURRENT RELATED PARTY TRANSACTION OF REVENUE OR TRADING NATURE

At the 11th Annual General Meeting (AGM) held on 25 June 2019, the Company had obtained a Shareholders' mandate from its Shareholders for the existing Recurrent Related Party Transactions of a revenue or trading nature for FGV and its Group of Companies ("FGV Group") and Shareholders' mandate for the new Recurrent Related Party Transactions of a revenue or trading nature for FGV Group (RRPT Shareholders' Mandate). The RRPT Shareholders' Mandate is valid until the conclusion of the forthcoming 12th AGM of the Company.

The Company proposes to seek a renewal of the RRPT Shareholders' Mandate at its forthcoming 12th AGM. The renewal of the RRPT Shareholders' Mandate, if approved by the Shareholders, will be valid until the conclusion of the Company's next 13th AGM. The details of the proposed renewal of the RRPT Shareholders' Mandate will disclosed in the Circular to Shareholders which will be sent together with the Notice of the 12th AGM.

Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of the Recurrent Related Party Transaction of a revenue or trading nature entered into during the financial year ended 31 December 2019.

Details of the RRPTs entered into by FGV Group with Related Parties under the Proposed Renewal of Shareholders' Mandate:

Item	Transacting Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
1.	KPF-Linked Subsidiaries, MSM Group of Companies & FGV Trading	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of management and shared services	144,934

ADDITIONAL DISCLOSURE

Item	Transacting Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
2.	FGV Group	KPF-Linked Subsidiaries	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of advisory and laboratory analysis services, sales of seeds Supply of fertiliser, oil palm seeds and fertilisers recommendation services Rental for buildings/ houses at various places having rental period of less than 3 years on pro-rated monthly or annual instalments basis, for purposes of offices, store rooms, laboratories, pump houses, staff squatters and etc. Purchase of FFB	39,950 229 1,421 77,309
3.	FGV Group, FELDA Group of Companies	KPF-linked Subsidiaries	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of engineering consultancy and project management services	2,645
4.	FGV Group, MSM Group of Companies, FELDA Group of Companies, KPF Related Corporation, Yayasan Felda	FGV Prodata	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF • Yayasan Felda	Computer and printer rentals; sale and renting of IT services; rental and service of computers	81,435

ADDITIONAL DISCLOSURE

Item	Transacting Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
5.	FGV Group, MSM Group of Companies, FELDA Group of Companies, KPF Related Corporations	KPF-linked Subsidiaries	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of security services	56,792
6.	FGV Group, MSM Group of Companies	KPF-linked Subsidiaries	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of logistic services (including courier, transportation, freight forwarder services)	200,852
7.	FELDA Group of Companies, KPF Related Corporations	KPF-linked Subsidiaries	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Jetty commissions; provision of courier services	619
8.	MSM Group of Companies, FELDA Group of Companies, KPF-linked Subsidiaries, KPF Related Corporations	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of travel and accommodation services	5,949

ADDITIONAL DISCLOSURE

Item	Transacting Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
9.	FGV Group	KPF-linked Subsidiaries	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of tolling services	92,278
10.	FGV Group, MSM Group of Companies	FELDA Group of Companies, KPF Related Corporations	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Purchase of FFB Payment of incentive for the settlers' welfare to the Joint Consultative Committee (JCC)/ FELDA Natural resources income charged for the management fee for extraction of rock material on FELDA's land Rental for office premises and rental of land period less than 3 years of on pro-rated monthly or annual instalment basis Purchase of bleaching earth	2,624,697 13,135 39 23,270 388
11.	FELDA Group of Companies, KPF-Linked Subsidiaries, KPF Related Corporations	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Sale of packed products Sale of product (bunch ash)	254 77

ADDITIONAL DISCLOSURE

Item	Transacting Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
12.	FGV Group, FELDA Group of Companies	KPF-linked Subsidiaries	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Sale of cooking oil to FGV Refineries for their employees on quarterly basis Supply of steam and electricity	– 5,058
13.	FGV Group, FELDA Group of Companies, KPF Related Corporations	KPF-Link Subsidiaries, FGV Trading	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of raw materials, sale of palm oil products	2,228,398
14.	FELDA Group of Companies, KPF-linked Subsidiaries, MSM Group of Companies	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Sale of fertiliser	194,130
15.	FGV Group	MSM Group of Companies	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Sale of raw materials (rubber)	–

ADDITIONAL DISCLOSURE

Item	Transacting Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
16.	FELDA	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of GPS/GIS installation services	–
17.	FGV Group	FELDA	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Purchase of rubber	133,841
18.	FELDA	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of project management consultant (PMC) services	42
19.	KPF-linked subsidiaries	FGV Capital	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of financial assistance to the FGV Group on a short or medium term basis (i.e. for a duration of not exceeding 3 years)	574,268

ADDITIONAL DISCLOSURE

Item	Transacting Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
20.	FELDA Group of Companies	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of agency services in relation to FELDA projects	–
21.	FGV Group	KPF-linked Subsidiaries	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of tolling services – manufactured CPO & PK	419,426
22.	FGV Group	FELDA Group of Companies	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Received rubber incentive from FELDA Group of Companies	–
23.	FGV Bulkers	FELDA	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Leasing land at Plentong, Johor (Terminal T4X) having lease/rental period of less than 3 years on pro-rated monthly or annual instalments basis	76

ADDITIONAL DISCLOSURE

Item	Transacting Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
24.	KPF-linked Subsidiaries, FELDA Group of Companies, KPF Related Corporations	FGVPM	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Provision of maintenance services for Infra Sabah	1,211
25.	FELDA	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries (refer note below) Interested person connected: • KPF	Rental of land having rental period of less than 3 years on pro-rated monthly or annual instalments basis	–
26.	FGV Group	KPF Related Corporations	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Purchase of petrol/diesel	–
27.	FELDA Group of Companies, KPF-linked Subsidiaries, KPF Related Corporations	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Office and building rental having rental period of less than 3 years on pro-rated monthly or annual instalments basis	359

ADDITIONAL DISCLOSURE

Item	Transacting Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
28.	KPF-linked Subsidiaries	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Tank, storage and handling, and warehouse rental for a period of less than 3 years on pro-rated monthly or annual instalments basis	3,783
29.	KPF-linked Subsidiaries	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Sale of raw material (rubber)	8,626
30.	FGV Group, MSM Group of Companies	KPF Related Corporations	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Food and beverage services	8
31.	FGV Group	KPF-linked Subsidiaries, FGT	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked Subsidiaries* Interested person connected: • KPF	Villa, land and warehouse rental for a period of less than 3 years on pro-rated monthly or annual instalments basis	184

ADDITIONAL DISCLOSURE

Item	Transacting Parties		Interested Major Shareholders/ Directors and persons connected with them	Nature of RRPT	Value of Transaction (RM'000)
	Recipient	Provider			
32.	KPF-linked Subsidiaries	FGV Group	Interested Major Shareholders: • FELDA • FAHC Interested Directors: • Dato' Othman Omar • Mohd Hassan Ahmad • Directors in KPF-Linked subsidiaries* Interested person connected: • KPF	Provision of research and development services	16,243
				Total	**6,951,926**

Note:

** Interested Directors in KPF Linked subsidiaries comprise of Datuk Khamis Mohamed Som, Dato' Abdul Ghani Mohd Ali, Dato' Saari Din, Dato' Ramli Ismail, Dato' Zainal Hassan, Anuar Malek, Rahayu Mahat @ Taib, Zaid Sidek, Samsudin Othman, Zariah Ustaz Haron, Norfazlin Dato' Idris, Sulong Jamil Mohamed Sharif and Norzuki Mustafa*

APPLICATION OF THE PRINCIPLES AND PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 (MCCG 2017)

FGV's application of the principles and practices of the MCCG 2017 in respect of FY2019 are explained in the Corporate Governance Report available on our website, www.fgvholdings.com and also in Annual Integrated Report 2019 set out in the following pages:

Practice	Details	Applied/Departure/ Adopted/Not Adopted	Page*
PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS			
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.	Applied	2-5, 8-32, 46, 52, 64, 68, 74, 90-91, 113, 115, 120-121
1.2	A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.	Applied	6, 26-27, 82-83, 86-87, 113-115
1.3	The positions of Chairman and CEO are held by different individuals.	Applied	6, 87
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.	Applied	6, 88
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.	Applied	Please refer to Corporate Governance Report
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.	Applied	84-85, 90, 92, 105, 107
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.	Applied	12, 19, 27, 80, 84-85, 120, 124
3.2	The board establishes, reviews and together with management implements policies and procedures on whistleblowing.	Applied	19, 121, 123-124
4.1	At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.	Applied	6, 86-89
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.	Not Applicable - Step Up 4.3 Adopted	–
4.3 (Step up)	The board has a policy which limits the tenure of its independent directors to nine years.	Adopted	Please refer to Corporate Governance Report

**To also refer to our Corporate Governance Report, which is available on our website, www.fgvholdings.com*

APPLICATION OF THE PRINCIPLES AND PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 (MCCG 2017)

Practice	Details	Applied/Departure/ Adopted/Not Adopted	Page*
PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS			
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.	Applied	86-90, 95, 109, 112
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.	Applied	6, 86-89
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.	Applied	Please refer to Corporate Governance Report
4.7	The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.	Applied	6, 86-89, 95
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.	Applied	91, 95
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.	Applied	90, 95, 109, 112
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.	Applied	95-96 95
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.	Applied	110-111
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.	Applied	112
7.3 (Step up)	Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.	Not Adopted	–
PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT			
8.1	The Chairman of the Audit Committee is not the Chairman of the board.	Applied	86-89
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.	Applied	100-101
8.3	The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.	Applied	98, 100-101
8.4 (Step up)	The Audit Committee should comprise solely of Independent Directors.	Not Adopted	–

APPLICATION OF THE PRINCIPLES AND PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 (MCCG 2017)

Practice	Details	Applied/Departure/ Adopted/Not Adopted	Page*
PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT			
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.	Applied	86-89, 93-94
9.1	The board should establish an effective risk management and internal control framework.	Applied	117-126
9.2	The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.	Applied	117-126
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.	Adopted	89, 105-108
10.1	The Audit Committee should ensure that the internal audit function is effective and able to function independently.	Applied	68, 102-103
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.	Applied	98, 102-103
PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS			
11.1	The board ensures there is effective, transparent and regular communication with its stakeholders.	Applied	2, 3, 6, 11-13, 17-18, 21, 23, 74-81, 113-115
11.2	Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.	Applied	2, 3, 116
12.1	Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.	Applied	115
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.	Applied	Please refer to Corporate Governance Report
12.3	Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate– • voting including voting in absentia; and • remote shareholders' participation at General Meetings.	Departure	–

Detailed explanation on the application/departure/adoption of the principles and practices of the MCCG 2017 are explained in our Corporate Governance Report, which is available on our website at www.fgvholdings.com

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