



438 Alexandra Road
#20-00 Alexandra Point
Singapore 119958

Tel : (65) 6318 9393
Fax : (65) 6271 0811
Website: www.fraserandneave.com

FRASER AND NEAVE, LIMITED

Company Registration No. 189800001R
Incorporated in Singapore

Annual General Meeting (“AGM”) to be held on 18 January 2022 **Responses to Substantial and Relevant Questions**

Fraser and Neave, Limited (“**F&N**” or the “**Company**”, and together with our subsidiaries, the “**Group**”) refers to its announcement dated 4 January 2022 on its response to a substantial and relevant question received from a shareholder which is related to resolutions to be tabled for approval at the abovementioned AGM (the “**Initial Announcement**”).

Further to the Initial Announcement, the Company has received substantial and relevant questions from another shareholder and from the Securities Investors Association (Singapore) (“**SIAS**”) which are related to the resolutions to be tabled for approval at the abovementioned AGM. The Company is pleased to provide its responses below.

A. Response to Substantial and Relevant Question from a Shareholder

1. What is the current growth rate in the new markets of Indonesia, Myanmar, Thailand and Vietnam? What are the challenges? what is the potential growth in these new markets in the next 5 years?

- Most of these new markets (with the exception of Myanmar) are currently growing at about 4% to 5% annually*. Myanmar has been impacted by both the changing political landscape and the Covid-19 pandemic.
- These markets face common challenges brought on by the Covid-19 pandemic: supply chain disruptions, rising material cost, cautious consumer sentiment, and forex risks, which – when combined – impact the market growth as well as the Group’s profits. Despite these challenges, these new markets represent an attractive market with a young, modernising, curious demographic, rising income levels, and a large opportunity to embed consumer brands. The potential growth beyond the pandemic, in the medium to long term, is envisaged to be much higher than the current rates.

+ Source: Euromonitor

B. Responses to Substantial and Relevant Questions from SIAS

NB: These questions may also be accessed on the website of SIAS at the URL <https://sias.org.sg/qa-on-annual-reports/>.

1. Can the board/management elaborate how it intends to allocate its capital going forward? Please provide the breakdown by geography and by the following five strategic pillars:
 - Prioritising innovation
 - Investing in brands
 - Building a sustainable supply chain
 - Infrastructure optimization
 - Expanding into *halal* food segments.
 - As F&N pursues growth objectives, its capital allocation priorities remain the same – reinvest where appropriate in the business to drive momentum and continue to increase profit.
 - The allocation of capital to support the five strategic pillars is generally funded by operating cashflow as new initiatives are identified. For larger projects for example, in infrastructure optimization for our new plant in Tuas which is still under construction, these are usually funded with a combination of operating cash and debt.
 - The Company does not share detailed breakdown of capital allocation by country as they are considered to be commercially sensitive. The Group announces details of material transactions/initiatives as required, as and when they arise.
 - The Group will continue to prioritize value-adding investments into our business including acquisitions based on strategic and financial considerations.
2. What guidance/target has the board set for management in the “New Markets”? Management has classified Indonesia, Myanmar, Thailand (Soft Drinks) and Vietnam as “New Markets”.
 - Business expansion, geographical diversification, innovation and brand building remain the key elements of F&N’s growth strategy. We continue to prioritise Southeast Asian (“SEA”) markets, particularly Vietnam, Indonesia, Thailand (Soft Drinks) and Myanmar, and to deploy funds to these strategic markets and businesses should opportunities arise. SEA remains of keen interest to the Group and we believe that SEA has tremendous untapped potential and plan to further penetrate this region by strengthening our route-to-market and product development capabilities.
 - The establishment of entities in New Markets offers F&N a low-cost entry mode, allowing us to co-ordinate and liaise with local distributors to establish our brands without having to incur substantial capital costs. Through these local entities, the Group intends to build our brands and increase our market share and volume through marketing initiatives. Once we have achieved sufficient volumes, the Group will look to local production, and expect new income streams in the longer term.
 - Throughout the pandemic, the Group has remained focused on the journey ahead, adapting to changing conditions, enabling us to emerge stronger. The Group’s strategy in New Markets is to operate across categories, focusing on the highest growth categories and consumer opportunities most relevant to our core brands. We will combine organic growth with selective acquisitions that complement our strategy.

3. The group has borrowings of \$926.8 million and cash and bank deposits of \$471.8 million. Net borrowings amounted to \$455.0 million (FY2020: \$553.1 million) and finance costs for FY2021 were higher at \$25.1 million (FY2020: \$24.8 million) (page 59 of the Company's Annual Report 2021 – Capital Resources). Is the board reviewing how it could reduce its borrowing costs and further optimise its capital structure? What are the reasons to hold \$471.8 million in cash and bank deposits when borrowings are as high as \$926.8 million?
 - Approximately 93% of our Group Debt, as at 30 September 2021, was on fixed interest rates. As existing long-term debts reach maturity, there will be opportunities to refinance some of these maturing debts in 2022 at lower interest rates.
 - Achieving an optimal capital structure is a continuing process. The Group aims to keep its net gearing ratio below 0.80 times of total equity and maintain a net debt to EBITDA ratio of below 3.5 times. As at 30 September 2021, the Group has net gearing ratio of 0.13 times of total equity and a net debt to EBITDA ratio of 1.29 times. So there is currently still sufficient debt headroom to allow F&N to make strategic acquisitions when opportunities arise.
 - The cash on hand of approximately \$472 million includes \$100 million set aside for the repayment of the \$160 million Series 13 bond due in March 2022. In addition, \$30 million has been earmarked for payment for the construction of our new plant in Tuas which has been delayed due to the pandemic. The balance is held by our subsidiary companies as working capital and for dividend payments.
4. Given that Fraser & Neave Holdings Bhd Group is a major operating subsidiary and is key to the group's strategic plan, has the board considered consolidating the company's ownership of Fraser & Neave Holdings Bhd Group from the current level of 55.5%?
 - The Group reviews its options for all its businesses from time to time, and will make disclosures as required. Shareholders should remain assured that the Board is fully committed to ensuring that the Group continues to deliver value to our shareholders, and any decisions we make are based on what is best for the Company and all stakeholders.
5. What are the key value drivers of the Printing & Publishing ("P&P") segment? How successful is P&P's digitalisation strategy?
 - Education Publishing remains the key profit driver for P&P segment, followed by Print and Book Distribution.
 - Education Publishing continues to expand its geographic footprint. Its products and services are now available in over 85 countries through its *Marshall Cavendish* brand. The transformation from a traditional publisher into a total education solutions provider (print, digital and professional development) remains on track. While the Covid-19 pandemic had been disruptive to the rest of the P&P businesses, Education Publishing was able to quickly capitalize on its digital offerings.
 - Our Print Group has a number of new initiatives to transform the business beyond its traditional commercial print business, which is largely printing of books, magazines and catalogues. Our Print Group is also an integrated marketing and print solutions provider for the out-of-home market, offering one-stop end-to-end printing, events and visual media solutions, targeting the FMCG market and MNCs. In the current financial year (ending 30 September 2022), the Print Group will also expand into sustainable packaging printing, leveraging its existing infrastructure.
 - P&P is now a major distributor of English Books in Singapore and Malaysia. The Book Distribution unit has relationships with the top five international English language trade book publishers (Hachette, HarperCollins, Macmillan, Penguin Random House and Simon & Schuster).
 - Retail has been challenging, and even more so in 2020 and 2021. To stem losses, we have closed and are closing non-performing high street stores. Meanwhile, we continue to drive sales by enhancing online customer experience using third-party marketplaces such as Shopee, Lazada and Qoo10.

6. Does the P&P segment have the necessary scale, market positioning and cost structure to generate sustainable returns? What are management's main priorities to turnaround the segment in 2022?
- Education Publishing is one of the leading academic publishers in ASEAN. To enhance its market position, it seeks to continuously provide innovative products and services to learners, educators and students. Its strategy to increase digital and online offerings are also progressing according to plan. One key digital initiative is the building of an online professional development program for educators in ASEAN countries, in partnership with reputable higher learning institutions. MCEduHub (our online learning portal) is another example of our strategy to monetise the vast content library, in partnership with educational technology players.
 - Our Print Group is one of the largest printers in Singapore and Malaysia for both commercial print and out-of-home advertising. The entry into the sustainable packaging printing business will generate new, recurring income stream for us.
 - As the leading book distribution company in Singapore and Malaysia, we have exclusive relationships with publishing powerhouses, including Penguin Random House, Hachette, HarperCollins and Macmillan. Leveraging our strong distribution network, we have expanded our replacement portfolio with the distribution of lifestyle stationery brands such as *Hallmark*, *Crayola* and *Smiggle*, and our *Office & School Solutions* brand.
7. Can the board help shareholders understand the strategic value of the P&P segment in the group's long-term plans? If the segment is non-core, has the board evaluated a sale of the Printing & Publishing segment to recycle capital to its core business?
- The Group reviews its options for all its businesses from time to time, and will make disclosures as required.
 - There are presently no plans to divest the P&P business.
8. Can the nominating committee elaborate further on the search and nomination process for directors, especially independent directors?
- Our nominating committee ("NC") takes the lead in identifying, evaluating and selecting suitable candidates for appointment as Directors. In its search and selection process, our NC considers factors such as the ability of any prospective candidate to contribute to discussions, deliberations and activities of the Board and Board Committees, taking into account the existing composition of the Board, including the mix of expertise, skills and attributes of existing Directors. Our NC also takes into consideration the other boards which a prospective candidate has served on including, whether a candidate had previously served on the board of companies with adverse track records or a history of irregularities and assess whether a candidate's resignation from the board of any such company would cast any doubt on his ability to act as a Director of the Company.
 - Our NC reviews all nominations for appointments and re-appointments to the Board and to Board Committees (including Alternate Directors), and submits its recommendations for approval by the Board, taking into account an appropriate mix of core competencies for the Board to fulfil its roles and responsibilities and the need for progressive renewal of the Board.
 - For any existing or prospective Independent Director, our NC also reviews declarations of independence which are submitted annually to ascertain the ability of Independent Directors to exercise strong and objective judgement when participating in any deliberation and decision making of the Board and any Board Committee of which he/she is a member.

9. On what basis did the NC assess Mr Ng Tat Pun's independence given that he was a director of Thai Beverage Public Company Limited for approximately 15 years? Provision 2.1 of the Code of Corporate Governance 2018 defines an "independent" director as one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company. Would Mr Ng Tat Pun's ~15-year tenure as a director of Thai Beverage Public Company Limited (a substantial shareholder of the company) interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement?
- The answer is no. With regard to the appointment of Mr Ng Tat Pun, our NC considered in particular, his former role as an independent non-executive director of Thai Beverage Public Company Limited ("ThaiBev") which is a substantial shareholder of the Company. Our NC reviewed Mr Ng's declaration of independence and was satisfied that his previous appointment as an independent, non-executive director of ThaiBev which ended in January 2021, would not affect his ability to exercise strong and objective judgement and to be independent in the expression of his views and his participation in the deliberation and decision-making on the Board and any Board Committee of which he is a member. The NC also took into consideration and was satisfied that Mr Ng has the relevant and necessary skills and competencies to effectively contribute to the Board as an Independent Director.
 - To address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures which apply in addition to the Directors' obligation to comply with disclosure obligations under the Company's Constitution and the Companies Act (Chapter 50). Directors are required to promptly declare any conflict of interest at a meeting of the Directors or by written notification to the company secretary and they are required to take such action as is necessary to effectively resolve the conflict (for instance recusing themselves by refraining from participating in meetings or discussions (or relevant segments thereof) and by abstaining from voting, on any matter in which they are interested or conflicted).

By Order of the Board

Hui Choon Kit
Company Secretary

12 January 2022