

FARLIM GROUP (MALAYSIA) BHD

Board Charter

This Charter provides a primary source of reference and induction literature to all Board Members. It sets out the Board's intent, authority, the fundamental roles and responsibilities of the Board and individual Directors as well as the decision reserved to the Board which are consistent with the principles of the Malaysian Code on Corporate Governance ("MCCG").

1. Size and Composition

The Board shall ensure that the number of Directors of the Board shall be in accordance with the Company's Constitution and the prevailing requirements of the laws and regulations.

The positions of Chairman and Managing Director are to be separated and held by different individuals.

The Chairman of the board shall not be the Chairman of the Audit Committee and Risk Management Committee.

2. Appointment, Criteria and Nomination

Board diversity provides constructive debates and enables the discussion of the same ideas in differing ways leading to better decisions.

The Board acknowledges the importance of gender diversity in its composition. In its selection of Board Members, the Board provides equal opportunity to all candidates who meet its selection criteria.

In identifying the candidates for the Board and Senior Management, the Board will consider the recommendations from existing Board Members, Management or Major Shareholders as well as independent sources to identify suitably qualified candidates for appointment of Directors and Senior Management positions.

Appointment of Board and Senior Management is based on objective criteria, merit and with due regard to diversity of skills, experience, age, cultural background and gender.

All new Directors appointed to the Board shall undertake a formal induction program coordinated by the Nomination Committee.

Director retirement and re-election shall be carried out in accordance with the Company's constitution and requirements of the law.

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3. Roles and Responsibilities of the Board

Board should objectively discharge their duties and responsibilities at all times in the interests of the Group and should keep abreast of its responsibilities and of the conduct, business activities and development of the Group.

To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Group, the Board should, among others:

- Promote good corporate governance culture within the Group which reinforces ethical, prudent and professional behaviour;
- Review, challenge and decide on Management's proposals for the Group, and monitor their implementation;
- Ensure that the strategic plan of the Group supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- Supervise and assess Management's performance to determine whether the Group's business is being properly managed;
- Ensure that there is a sound framework for internal controls and risk management;
- Understand the principal risks of the Group's business and recognise that business decisions involve the taking of appropriate risks;
- Assess and set the risk appetite within which Management should operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- Ensure that Senior Management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and Senior Management;
- Ensure that the Group has in place procedures to enable effective communication with stakeholders;
- Ensure the integrity of the Group's financial and non-financial reporting; and
- Review the terms of office and performance of the Board Committees annually (with members of the respective Board Committees abstain from deliberation).

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In addition, with respect to prevention of corruption, the Board shall:

- Establish and maintain effective and adequate anti-corruption compliance policies and framework and whistleblowing feedback channel;
- Review the Group's corruption risk exposures periodically or when there are changes in law, circumstance of the business and/or the profile of its business associates; and
- Obtain assurance that anti-corruption compliance policies and framework is functioning effectively.

4. Position Descriptions of the Board Members

4.1 Chairman & Chief Executive and Deputy Chairman & Executive Director

The primary roles of the Chairman & Chief Executive and Deputy Chairman & Executive Director are:

- To provide leadership to the Board and effective communication of the Group's vision, philosophy and business strategy to stakeholders;
- To develop and recommend to the Board the long-term strategy and vision of the Group and the critical performance targets;
- To develop and recommend to the Board the annual business plans and budgets that support the Group's long-term strategy;
- Ensure that the Group has an effective Management team and structure, Management development program and succession plan;
- To set the Board meeting's agenda and ensure that Board Members receive complete and accurate information in a timely manner;
- To lead Board meetings and discussions;
- To encourage active participation of all Board Members and to allow dissenting views to be freely expressed;
- To liaise with the Company Secretary on the agenda for Board meetings;
- To manage the interface between Board and Management;
- To ensure that appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board;
- To lead the Board in establishing and monitoring good corporate governance practices in the Group; and
- To chair general meetings of shareholders and serve as a focal point for stakeholders' communication and engagement on Group's performance issues.

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4.2 Executive Director

The key responsibilities of the Executive Directors are:

- To ensure that Board decisions and strategic directions are implemented and responded to;
- To provide directions to Management in the implementation of short and long-term business plans;
- To develop, maintain and recommend to the Board the risk management action plans that support the Group's long-term strategy;
- To keep Board fully informed of all important aspects of the Group's operations and to ensure that sufficient information is distributed to Board Members; and
- To ensure that day-to-day business affairs of the Group are effectively managed.

4.3 Independent Directors

The primary responsibility of Independent Directors is to ensure effective check and balance in the Board by:

- Bringing independent and objective judgement to the Board;
- Mitigating risk of any possible conflict of interest and undue influence in the Board; and
- Constructively challenging and contributing to the development of business strategy and direction of the Group.

Independent Director of the Board must fulfil the provisions and definition of Independent Director of the Listing Requirements at all times and must declare their independence to the Board annually.

When Board intends to retain its Independent Director beyond nine years, it would justify and seek shareholders' approval in the AGM. However, if the Board continues to retain its Independent Director after the twelfth year, the Board would seek shareholders' approval through a two-tier voting process in the AGM.

5. Company Secretary

The Company Secretary plays an important role in good governance by helping the Board and its Committees function effectively and in accordance with their terms of reference and best practices.

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The roles and responsibilities of the Company Secretary include, but not limited to the following:

- Manage all Board's and Board Committees' meeting logistics;
- Attend and record minutes of all Board's and Board Committees' meetings and facilitate Board communications;
- Advise the Board and Board Committees on their roles and responsibilities;
- Facilitate the orientation of new Directors and assist in Director training and development;
- Advise the Board on corporate disclosures and compliance with securities regulations, listing requirements and companies act;
- Manage processes pertaining to annual shareholder meeting;
- Monitor corporate governance developments and assist the Board in applying governance practices to meet the compliance needs and stakeholders' expectations; and
- Serve as a focal point for stakeholders' communication and engagement on corporate governance issues.

In order to carry out his function effectively, Company Secretary should possess the knowledge and experience covering the knowledge in company and securities law, finance, governance, company secretaryship and listing requirements and undertake continuous professional development.

6. Matters and Decisions Reserved for the Board

In order to ensure that the direction and control of the Group is within the Board's hands firmly, the following list of matters shall be reserved to the Board for decision:

- Corporate exercise;
- Business strategy and sustainability issues;
- Contracts, transaction, investment and divestment exceeding 5% of total assets;
- Performance review, remuneration, succession and appointment of Directors and key senior executives;

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- Shareholders' communication and matters; and
- Board Policies and governance matters.

These matters reserved shall be communicated to all Directors, Company Secretary, Internal Auditors, External Auditors and the Senior Executives. Management shall familiarise and observe the matters reserved to the Board. Management shall not make decision within those matters and must undertake to provide adequate, timely and quality information to the Board for making its decision.

7. Board Committees

The Board may from time to time establish appropriate Board Committees to assist them in the discharge of their responsibilities. However, Board Committees do not make decision on behalf of the Board but to review matters under its purview and make recommendations to the Board for its consideration and decision making.

The Board shall establish the following Committees and define their respective terms of reference:

- Executive Committee;
- Audit Committee;
- Risk Management Committee;
- Nomination Committee; and
- Remuneration Committee.

The role, function, performance and membership of each Committee will be reviewed on an annual basis as part of the Board's appraisal process. The Board may require members of Committees be rotated on and off their Committees taking into account the needs of the Committees, legislative requirements, skill sets and the experience of the individual Directors.

The respective Chairmen of the Board Committees shall provide meaningful response to questions addressed to them during general meetings.

8. Meetings and Minutes

Board meetings are held at least once in every three (3) months. The agenda for each meeting is dictated by the needs of the Board and would be communicated in the notice

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of meeting.

Additional Board meeting can be convened at the request of any Director by giving all Directors seven days' notice in writing. A meeting may, with the consent of all Directors, be convened with shorter notice.

All Board Members shall attend at least 50% of the Board meetings held in each financial year or such other percentage as may be prescribed by the Listing Requirements. Heads of the respective division units and relevant Management personnel may be invited to attend the Board meetings as and when the need arises. Non-Executive Directors may hold meeting in the absence of Management on a periodic basis.

Personal attendance of Board Members at meetings is preferred. But, the Board and Board Committees may hold meetings at two or more venues using technology that gives all members of the Board or the Board Committees a reasonable opportunity to participate in the meeting. On the other hand, Board may also pass its resolution by way of circular.

To facilitate robust Board discussions, the Company Secretary should ensure that Directors are provided with sufficient information and time to prepare for Board meetings. The meeting materials should be circulated at least five (5) business days in advance of the Board meeting. In case where the subject matter/agenda item is price sensitive or otherwise confidential or in a state of flux, the materials/report/papers will be presented at the meeting. All Board Members should ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberating on a particular matter.

9. Access of Information and Resources

All Board Members shall have full and unrestricted access to:

- Complete, adequate and timely information of the Group;
- The resources required to perform their duties; and
- Subject to Board's approval, engage independent professional or obtain advices at the expense of the Group.

Management is responsible for providing the Board with the required information in an appropriate and timely manner. If the information provided by Management is insufficient, the Board may make further enquiries, to which the Management responsible shall respond accordingly.

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10. Relationship between Board and Management

Except for matter relating to operation of Board Committees or duties of the Company Secretary, the ordinary course of communications between the Independent and Non-Executive Directors and the Senior Management should be through Chairman & Chief Executive, Deputy Chairman & Executive Director or other Executive Directors.

11. Performance Appraisal

Regular reviews of Directors' effectiveness and performance are important for Board improvement. The Board shall review and evaluate each Director's performance, its own performance and the performance of its Committees at least once a year. When assessing its performance, the Board shall also evaluate its performance vis-à-vis the provisions in this Board Charter. The Board shall disclose how the assessment is carried out and its outcome.

All Board related performance appraised shall be administered and conducted by the Nomination Committee who shall then report back to the Board. Based on the result of appraisal, the Nomination Committee should assist the Board to undertake assessment of the training needs of each Board Member and recommend the appropriate educational/training programmes to the respective Board Members to equip themselves with the relevant knowledge.

12. Continuing Education Program and Training

All Board Members are expected to undertake continuing professional education to enable them to discharge their duties effectively. Members of the Audit Committee and Risk Management Committee should undertake continuous professional development in accounting and auditing standards, practices and rules.

Management, Company Secretary, Internal and External Auditors would brief the Board on changes in the legislative, regulatory or industry framework which impact the Group. However, such briefings are not a substitute for the Director trainings for seeking continuous knowledge of the changes in the market regulations.

13. Remuneration

The Remuneration Committee is delegated with the responsibility by the Board to recommend to the Board the remuneration packages of the Executive Directors and Non-Executive Directors and Senior Management in all its forms, drawing from outside advice as appropriate.

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The Remuneration Committee shall implement the remuneration policies and procedures defined by the Board and review and recommend any matters relating to the remuneration of the Board and Senior Management to the Board.

14. Conflict of Interests

Directors are required to take all reasonable steps to avoid actual, potential or perceived conflict of interests with the Group's interest.

Should there be actual, potential or perceived conflict of interests between the Group and Board Members or person connected with the Board Members such as spouse, other family members, or a related company, the interested Board Member shall make full disclosure in bona fide and act honestly in the best interests of the Group and shall not participate in deliberations and shall abstain himself/ herself from casting his/ her vote in any matter arising thereof.

15. Indemnity and Insurance

The Directors and officers of the Group are entitled to be indemnified against liabilities arising from their holding of office in the Group. In this respect, the Board shall consider appropriate insurance policy to mitigate this risk.

16. Communication with Stakeholders

Ongoing engagement and communication with stakeholders build trust and understanding between the Group and its stakeholders. It provides stakeholders a better appreciation of the Group's objectives and the quality of its Management. This in turn will assist stakeholders in evaluating the Group and facilitate shareholders to determine how their votes should be exercised. From the Group's perspective, communication with stakeholders provides an avenue for invaluable feedback that can be used to understand stakeholders' expectations and to develop business strategies.

The principles governing the Board's stakeholders communication initiatives are as follows:

- The Chairman & Chief Executive or Deputy Chairman & Executive Director or in their absence any other Board Members authorized by Chairman & Chief Executive and Deputy Chairman & Executive Director will be the spokesperson of the Board;
- The Board will leverage its corporate website to report its financial results and material developments to the Exchange, its shareholders and other stakeholders in an open, timely and comprehensive manner;

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- The Board will proactively address reports and rumors to avoid unnecessary speculation in its securities;
- The Board will give reasonable access to analysts and media to form their opinion about the Group, but will not seek to influence those opinions. Also, the Board will not give information to the analysts and media that is not available to the general public; and
- The Board will meet with its stakeholders through appropriate platform and channel to inform and obtain feedback from stakeholders.

17. GENERAL MEETINGS

The Board will ensure that notice for an Annual General Meeting is given to the shareholders at least 21 days prior to the meeting. The Chairs of the Audit Committee and Risk Management Committee, Nominating Committee and other committees provide meaningful response to questions addressed to them.

The Board will leverage technology to facilitate voting in absentia and remote shareholders' participation at general meetings when appropriate systems are available, proven, feasible and suitable for the Company to adopt this practice.

18. Review of Board Charter

The Board shall review this Charter annually and make necessary or desirable amendments to ensure that the Charter remains consistent with the Board's objectives, current regulation requirements and governance best practice. Changes of the provisions in the Charter shall be adopted by the Board with a formal resolution.

19. Publication of Board Charter

This Charter shall be available to all Board Members and key Senior Management. A copy of this Charter shall be published on the Group's website.