

# FARLIM GROUP (MALAYSIA) BHD

[Registration No. 198201002529 (82275-A)]

## CONFLICT OF INTEREST POLICY

### 1. INTRODUCTION

This Conflict-of-Interest Policy (“**Policy**”) applies to the Directors and key senior management of Farlim Group (Malaysia) Bhd (“**the Company**”) and its subsidiaries (“**the Group**”). It aims to provide guidance on identifying and implementing actions and measures to monitor and manage conflicts of interest.

Under this Policy, the key senior management refers to a person who, in the opinion of the Board, is the key senior management of the Group and must include a person primarily responsible for the business operations of the listed issuer’s core business and principal subsidiaries.

### 2. CONFLICTS OF INTEREST SITUATIONS

In general, a conflict of interest would arise where a person’s ability to perform their duties effectively, objectively and impartially is potentially impaired or interfered with by personal interests. This personal interest is not limited to direct financial interest but also includes an indirect financial interest, non-financial interest (e.g. arising from family, business or professional interests and relationships), or competing loyalties or interests.

The conflicts of interest situations may be described under the following broad categories. However, it is recognised that the situations that may give rise to a conflict of interest or potential conflict of interest are relatively wide. Hence, it is not possible to define an all-inclusive Policy. Therefore, Directors and key senior management must exercise reasonable judgment to uphold and comply with the principles of this Policy and ensure that business decisions are made in the best interests of the Group.

#### (i) **Equity ownership in entities having a business relationship with the Group**

When a Director or key senior management holds shares in privately-owned entities having a business relationship with the Group, either directly or indirectly [e.g. through a family member (for this Policy, “family member” comprises the director’s and key senior management’s spouse, parents, children, brothers, sisters and spouse of child, brother or sister)]. This does not apply to shares held in publicly-quoted companies which have a business relationship with the Group unless such holding is 10% or more of the total number of voting shares in the corporation or 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.

**(ii) Directorship, partnership or other forms of beneficial interest in entities having a business relationship with the Group**

This applies when a Director or key senior management holds a position or is interested in entities having a business relationship with the Group. For example, a Director or key senior management of the Group is a company director supplying materials to the Group. Such situations would result in a conflict of interest.

**(iii) Personal relationships**

A conflict of interest would also arise if a Director or key senior management has a family member with an interest (e.g. in ownership, directorships, partnerships and employment) in entities that are likely to have a contractual arrangement with the Group. An example would be when the spouse of a Director or key senior management of the Group is working in a company providing consultancy services to the Group. This also applies to situations where a family member works in a company bidding for a project to be awarded by the Group.

**(iv) Dealings with competitors**

If a Director, key senior management or their family member has an interest or any involvement in the business of a competitor or holds a directorship in a competitor, such a situation would give rise to a conflict of interest.

**(v) Long-Serving Independent Director**

Long-serving Independent Directors may create a conflict of interest because extended tenure creates too close a relationship among longstanding Board members, Chief Executives and the management team.

**(vi) Appointment of Politician in the Board**

The appointment of active politicians on the boards may create a conflict of interest between their role as directors of a commercial entity and obligations to their constituents.

**(vii) Multiple Directorship in Other Companies**

When a director holds multiple directorships in other companies outside the Group, it may lead to conflict of interest positions and impairment of time commitment to the Company.

### **3. LEGAL RESPONSIBILITIES**

The legal duty to avoid conflict of interest for directors and officers is codified in Section 218 of the Companies Act 2016. Under this section, a director or officer must not do the following to gain a benefit for themselves or any other person or cause detriment to the company without the consent or ratification of a general meeting:

- (a) using the property of the company;
- (b) using any information acquired by virtue of their position as a director or officer of the company;
- (c) using their position as such director or officer;
- (d) using any opportunity of the company which they became aware of in the performance of their duties as the director or officer; or
- (e) engaging in business which competes with the company.

#### **4. MANAGING CONFLICTS OF INTEREST**

- (i) All Directors and key senior management must make a declaration at least annually and when they are aware of the conflict of interest or potential conflict of interest situation. The completed Conflict of Interest Declaration must be escalated to the Audit Committee (“AC”) and the Board of the Company (“Board of Directors”) and recorded by the Company Secretary.
- (ii) The Director and key senior management with a conflict of interest or potential conflict of interest after the AC's consultation and review should comply with the AC's measures to manage, resolve, eliminate or mitigate the conflict of interest or potential conflict of interest. These measures could include but are not limited to:
  - a. restricting the participation of the said persons in any applicable board, committee or general meetings and requiring the said persons to abstain or recuse themselves from deliberation and voting on matters relating to the said conflict-of-interest matters;
  - b. requiring the said persons to execute a non-disclosure or confidentiality agreement to protect any confidential and proprietary information or trade secrets;
  - c. restricting the said persons from participating in businesses which compete with the Group; or
  - d. in extreme circumstances where the conflict is likely to affect the performance of the said persons, requiring such persons to either divest the interest causing the conflict or resign from the listed issuer group.
- (iii) Where the conflict is ongoing and could have serious implications, the person with the conflict should be removed from the process, which includes the following:
  - a. Abstaining from any involvement whatsoever in the matter;
  - b. Rearranging duties and responsibilities to a non-conflicting function or under the supervision of a non-interested person; or
  - c. Transferring the person with the conflict to another project or another area of the Group.

## **5. MONITORING CONFLICTS OF INTEREST**

The AC should ensure that management establishes a comprehensive framework for identifying, evaluating, approving, reporting and monitoring conflict of interest situations and transactions. It is essential to ensure that the framework put in place enables conflict of interest situations to be brought to the attention of the Audit Committee for its consideration and immediate action.

Key factors which must be addressed by the AC in its oversight of conflict-of-interest situations and transactions are as follows:

- nature of conflict-of-interest situations, areas of concern, and the impact on the company;
- identification of the interested parties as well as the nature of such potential transactions;
- the controls and safeguarding measures in place in the management of conflict of interests, as well as the corrective and remedial actions to be taken in respect of each of the conflict of interests situations; and
- the interested parties do not abuse their powers to gain an unfair advantage.

In assessing the conflict-of-interest situations or transactions, the AC shall be guided by the following considerations:

- the terms of the transaction (including the price) are fair, reasonable and on normal commercial terms;
- the impact of the transactions have on the financial statements; and
- business reasons or economic substance for the company to enter into the transaction with the interested parties.

The AC should also coordinate with the Nominating Committee in the review of conflict of interests when recommending the appointment and re-appointment of directors and key senior management.

## **6. BREACH OF POLICY**

Failure to disclose a conflict of interest, provide complete and accurate information on the conflict or appropriately manage the conflict is a breach of this Policy, and it could result in disciplinary action being taken by the Group.

## **7. REVIEW**

The Board and AC must at least review this Policy annually or as and when necessary, when there are new COI regulations to ensure it remains relevant and appropriate.

This Policy was adopted by the Board on 29 December 2023.