

FARLIM GROUP (MALAYSIA) BERHAD

Board Charter

This Charter is a primary source of reference and induction literature for all Board members. It sets out the Board's intent, authority, the fundamental roles and responsibilities of the Board and individual directors, and the matters reserved to the Board, which are consistent with the principles of the Malaysian Code on Corporate governance.

1. Composition

The Board is responsible for determining an appropriate size for its function subject to the maximum number of directors provided in the Company's Constitution and the prevailing requirements of the laws and regulations concerning the minimum number of independent non-executive directors and women directors to be appointed.

Vacancies of independent and non-executive and women directors must be filled out within three months when they fall below the minimum requirement under the law or the listing requirements.

The Board Chairman shall not be the chairman or a member of the Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee.

2. Appointment

The Board shall define a fit and proper policy for its members and senior management appointment based on objective criteria, merit, and due regard for diversity in skills, experience, gender, age, and cultural background.

In identifying the candidates for the Board and senior management, the Board will consider the recommendations from its members, management, or major shareholders, as well as independent sources, to identify suitably qualified candidates for the appointment of directors and senior management positions. The Nomination Committee shall evaluate the candidates for new directors and key senior management before recommending them to the Board for an appointment. All new directors and key senior management 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 the prevailing law requirements. The tenure of an Independent Director must not exceed a cumulative term of twelve (12) years or the such period provided under the listing requirement. Re-election of the independent director who has served for a cumulative term of nine (9) years shall be carried out through a two-tier voting process at the Annual General Meeting by ordinary resolution and supported with justification.

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No director shall be appointed, re-appointed, elected or re-elected or continue to serve as a director if they become an active politician. A person is considered an “active politician” if they are a member of parliament, state assemblyman, local councilor, or holds a position at the supreme council or division level in any political party.

The re-election of a director should be contingent on a satisfactory evaluation of the director’s performance and contribution to the Board under the fit and proper policy.

3. Roles and Responsibilities of the Board

The Board should objectively discharge its responsibilities at all times in the interests of the Company. It should keep abreast of its responsibilities, and the business activities, development, and sustainability issues of the Group.

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

- Promote sound corporate governance culture within the Group, which reinforces ethical, prudent, and professional behavior;
- 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, including anti-corruption compliance and whistleblowing policies and frameworks;
- 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 as well as the corruption risk exposures;

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- Ensure that senior management has the necessary skills and experience and that 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 on governance, corporate, business and sustainability strategies, performance and targets;
- Ensure the integrity of the Group's financial and non-financial reporting by studying the financial statement of the Group and Company and carefully considering whether the information in the financial statements is consistent with its knowledge of the Group and Company's affairs; and
- Review the terms of office and performance of the Board Committees annually (with members of the respective Board Committees abstaining from deliberation).

4. Position Descriptions of the Board Members

4.1 Chairman and Deputy Chairman

The primary roles of the Chairman and Deputy Chairman are:

- To provide leadership to the Board and effective communication of the Group's vision, philosophy, and business strategy to stakeholders;
- To ensure a balanced composition of skills, knowledge, and experience within the Board and an effective working, reporting, and communication mode is present;
- 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 promptly;
- To lead Board meetings and discussions;

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- 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 promote constructive and respectful relations between Board members and management and manage the interface between them;
- 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;
- To chair general meetings of shareholders and serve as a focal point for stakeholders' communication and engagement on Group's performance issues; and
- To ensure the Board committee meetings are not combined with the main Board meeting.

4.2 Chief Executive and Executive Director

The key responsibilities of the Chief Executive and 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 approved by the Board;
- 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 critical aspects of the Group's operations and to ensure that sufficient information is distributed to Board members;
- To ensure that the day-to-day business affairs of the Group are effectively managed; and
- To facilitate the stakeholders' communication and engagement on Group's performance issues.

4.3 Independent Directors

The primary responsibility of Independent Directors is to ensure adequate and effective checks and balances in the Board by:

- Providing independent and objective judgment and oversight to the Group;
- Mitigating the risks 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.

Accordingly, all Independent Directors shall ensure that they fulfill the definition and criteria of an independent director under the listing requirement at all times.

5. Company Secretary

The Company Secretary plays a vital role in good governance by helping the Board and its committees function effectively and following their terms of reference and corporate governance best practices.

The roles and responsibilities of the Company Secretary to the Board and the board committees include, but are 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 corporate laws;

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- Manage processes of the general meetings; and
- Monitor corporate governance developments and assist the Board in applying governance practices to meet the compliance needs and stakeholders' expectations.

Company Secretary should possess the knowledge and experience covering the knowledge in company and securities law, finance, governance, company secretaryship, 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 are within the Board's hands firmly, the following list of matters shall be reserved for the Board's decision:

- Corporate exercises;
- Business strategy and sustainability issues;
- Contract, transaction, investment, and divestment exceeding 5% of the Group's total net assets;
- Performance review, remuneration, succession, and appointment of directors and key senior executives;
- Shareholders' communication and matters;
- Related party transactions;
- Declaration of dividend; and
- Board policies and governance matters.

These reserved matters shall be communicated to all directors, company secretary, internal auditors, external auditors, and senior executives. Management shall familiarise and observe the matters reserved for the Board. Management shall not decide on those matters and must provide adequate, timely, and quality information to the Board for making its decision.

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7. Board Committees

The Board may, from time to time, establish appropriate board committees to assist them in discharging its responsibilities. Board committees shall only 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 the terms of reference for these respective committees:

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

Each committee's role, function, performance, and membership will be reviewed annually as part of the Board's appraisal process. The Board may require the members of committees to be rotated on and off, taking into account the needs of the committees, legislative requirements, skill sets, and the experience of the individual directors.

8. Meetings and Minutes

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

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

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. Independent and non-executive directors may hold private meetings without executive directors and management present.

Board and board committees may hold meetings at two or more venues using technology that gives all members or Board committees a reasonable opportunity to participate in the discussions. Board may also pass its resolution by way of a circular.

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The Company Secretary should ensure that directors have sufficient information and time to prepare for Board meetings. The meeting materials should be circulated five (5) business days before the Board meeting. If the subject matter or agenda is price sensitive, confidential, or in a state of flux, the meeting materials will not be circulated. They will only be presented at the meeting.

All Board members should ensure that the meeting minutes accurately reflect the Board's deliberations and decisions, including whether any members abstained from voting or deliberating on a particular agenda.

9. Access to Information and Resources

All Board Members shall have full and unrestricted access to the following:

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

Management is responsible for providing the Board with the required information promptly. If the information management provides insufficient, the Board may make further enquiries, which the management shall respond to accordingly.

10. Relationship Between Board and Management

Except for matters relating to the board committees or duties of the Company Secretary, the communications between the Independent and Non-executive Directors and the senior management is communicated through the Chairman and Chief Executive, Deputy Chairman, or Executive Directors.

11. Performance Appraisal

Directors' effectiveness and performance assessments are essential for Board improvement. The Board shall review and evaluate its performance and the performance of the board committee and the individual director at least once a year.

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When assessing its performance, the Board shall also evaluate its performance vis-à-vis the provisions in this Board Charter, including the performance of the Board in addressing the Group's material sustainability risks and opportunities.

All performance assessments of the Board, board committees, and individual directors should be administered and conducted by the Nomination Committee in accordance with its terms of reference. Based on the results of the assessments, the Nomination Committee shall recommend the training needs of the directors to the Board.

12. Remuneration

The Remuneration Committee is delegated with the responsibility by the Board to implement its remuneration policies and procedures, including reviewing and recommending matters relating to the remuneration of the Board and senior management.

The Board shall define the terms of reference of the Remuneration Committee, outlining its authority and duties, and periodically review the remuneration policy and procedures.

13. Code of Conduct and Ethics

The Board shall establish a Code of Conduct and Ethics for the Company and, together with management, review and implement its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading, and money laundering.

The Board shall also implement a whistleblowing policy setting out avenues where legitimate concerns can be objectively reported, investigated, and addressed without the risk and fear of reprisal.

14. Communication with Stakeholders

Stakeholder engagement and communication build trust and understanding between the Group and its stakeholders and provide stakeholders with a better appreciation of the Group's objectives and management quality. On the other hand, such communication also provides invaluable feedback to the Board for understanding the stakeholders' expectations and developing business strategies.

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

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- The Chairman and Chief Executive, Deputy Chairman or, in their absence, any other Board members authorised by the Board will be the spokesperson of the Board;
- The Board shall leverage its corporate website to report its financial results and material developments in an open, timely, and comprehensive manner;
- Shareholders shall be provided with the opportunity to seek clarification from the Board during the question-and-answer session at the general meetings;
- Chairmen of the board committees shall respond to questions on their oversight areas during the general meetings.
- The Board shall address reports and rumours appropriately and promptly to avoid unnecessary speculation in its securities; and
- The Board shall give reasonable access to analysts and media but will not seek to influence their opinions nor provide information that is not available to the general public.

15. General Meetings

The Board shall ensure that notice for an Annual General Meeting is given to the shareholders at least 28 days before the meeting.

The Board shall leverage technology to facilitate voting in absentia and remote shareholders' participation at general meetings when appropriate and ensure good information technology security, including data privacy, is implemented.

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

16. Review and Publication

This Charter shall be reviewed annually to ensure that they are consistent with the Board's objectives, regulations and corporate governance best practices. Amendments to the terms of reference shall be approved with a board resolution.