

CORPORATE GOVERNANCE REPORT

STOCK CODE : 6041
COMPANY NAME : FARLIM GROUP (MALAYSIA) BHD.
FINANCIAL YEAR : December 31, 2022

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 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.

Application	: Applied
Explanation on application of the practice	<p>The Board of Directors ("the Board") is guided by its Board Charter which outline the roles and responsibilities of the Board included that on strategic plan and necessary resources to meet its objectives and review of management performance. The values and standards of the Company may be reflected in its operational performance.</p> <p>The Board is aware of its obligations to the shareholders of the Company and other stakeholders and as such, a policy has been formulated for implementation as set out in the Board Charter.</p> <p>The relevant details contained in the Board Charter are appended hereunder:-</p> <p>1. Roles and Responsibilities of the Board</p> <p>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.</p> <p>To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company, the Board should, among others:</p> <ul style="list-style-type: none"> • 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;

	<ul style="list-style-type: none"> • 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; • 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). <p>In addition, with respect to prevention of corruption, the Board shall:</p> <ul style="list-style-type: none"> • 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. <p>2. Access of Information and Resources</p> <p>All Board Members shall have full and unrestricted access to:</p> <ul style="list-style-type: none"> ○ Complete, adequate and timely information of 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. <p>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</p>
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may make further enquiries, to which the Management responsible shall respond accordingly.

3. 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.

When assessing its performance, the Board shall also evaluate its performance vis-à-vis the provisions in the 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.

4. 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:

- 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.

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	: Applied
Explanation on application of the practice	<p>A Chairman has been appointed to the Board of Directors who will instil good corporate governance practices, leadership and effectiveness.</p> <p>The roles and responsibilities of the Chairman of the Board who is also the Chief Executive have been clearly specified in the Board Charter as follows:-</p> <p>The primary roles of the Chairman and Deputy Chairman are:</p> <ul style="list-style-type: none">• 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;• 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;

	<ul style="list-style-type: none"> • 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.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is headed by the Chairman who is also the Managing Director and Chief Executive of Farlim Group.	
		To alleviate the risk where the roles of Chairman, Managing Director and Chief Executive are combined, adequate number of Independent Directors have been appointed to the Board. The Board comprising three (3) Independent Directors with at least 2 directors or one third on the Board which is compliance to the requirements of Bursa Malaysia Securities Berhad.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>	
Application :	Applied
Explanation on application of the practice :	The Chairman of the Board, Tan Sri Dato' Seri Lim Gait Tong is not a member of the Audit Committee, Nomination Committee or Remuneration Committee.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by a qualified and competent Company Secretary who is the member of the relevant professional bodies or and possess license recognised under the Companies Act 2016.</p> <p>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.</p> <p>The roles and responsibilities of the Company Secretary to the Board and the board committees include, but are not limited to the following:</p> <ul style="list-style-type: none"> • 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; • 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.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.6

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Directors have been furnished with complete and accurate meeting materials within a reasonable period prior to each meeting and minutes have been circulated in a timely manner.</p> <p>Members of the Board have unrestricted access to the advice and services of the Company Secretary who organises and attends all Board Meetings to ensure the proper procedures of the Board Meetings and applicable rules and regulations. The proceedings, resolutions and decisions at Board Meetings are properly minuted by the Company Secretary for confirmation at subsequent meetings and signing by the Chairman as correct records.</p> <p>Reports containing the notices of meetings with structured pre-set agenda and relevant papers setting out accurate and complete information required, be they in relation to finance, operation, corporate issues or otherwise, requiring attention and/or decisions at Board Meetings are circulated seven days in advance to ensure adequate time being accorded to members of the Board prior to deliberation and decision-making to enable the Board to discharge its duties effectively. The Chairman chairs the Board Meetings and conducts such meetings with presentation and explanations by the senior management on the respective papers in the Board Reports.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 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.

Application	:	Applied
Explanation on application of the practice	:	<p>A Board Charter has been in place and be reviewed annually and/or as and when the need arises, and it has been published on the Company's website.</p> <p>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.</p> <p>To enable the Board to discharge its responsibilities in meeting the goals and objectives of the Company, the Board should, among others:</p> <ul style="list-style-type: none">• 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;

	<ul style="list-style-type: none"> • 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). <p>In addition, with respect to prevention of corruption, the Board shall:</p> <ul style="list-style-type: none"> • Establish and maintain effective and adequate anti-corruption compliance policies and framework and whistleblowing 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. <p>1. Position Descriptions of the Board Members</p> <p>Chairman & Chief Executive and Deputy Chairman & Executive Director</p> <p>The primary roles of the Chairman and Deputy Chairman are:</p> <ul style="list-style-type: none"> • 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; • 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;
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- 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.

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.

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.

The Board Charter is accessible on the Company's website at www.farlim.com.my.

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 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.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has adopted the Corporate Code of Conduct and Ethics which aims to articulate the Group's specific principles against insider trading, money laundering, bribery and corruption, conflicts of interest, abuse of power and anti-competition.</p> <p>All directors, officers, senior management, and employees shall continue to familiarise themselves and observe the provisions in the existing employee handbook, the Company's policies and regulations for other aspects of proper conduct, self-discipline and compliance. In addition, the Corporate Code of Conduct and Ethics also apply to and be observed by Farlim's contractors, sub-contractors, consultants, agents, business associates, representatives and others performing work or services for or on behalf of Farlim Group of companies.</p> <p>The Corporate Code of Conduct and Ethics was approved by the Board and is available on the Company's website at www.farlim.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>Farlim Group (Malaysia) Bhd. and its subsidiaries are committed to maintaining and achieving a high standard of compliance with accounting, financial reporting, internal controls, corporate governance and auditing requirements, and any legislation relating thereto to uphold the Group's corporate integrity and to conduct its affairs responsibly and ethically.</p> <p>In order to achieve the objectives above, the Board of Directors has developed control measures, including the adoption of whistleblowing policy and procedure.</p> <p>The whistleblowing policy and procedure is to guide all employees and stakeholders to report concerns about any wrongdoing and improper conduct concerning the Group. In addition, the whistleblowing policy aims to offer assurance to all employees and stakeholders that they will be afforded protection of confidentiality and the Group's employees will be offered additional protection against detrimental action at the workplace for reporting concerns he/she has reasonable grounds to believe have taken place or are about to take place.</p> <p>The whistleblowing policy conforms to the guidance set out in the Malaysian Code on Corporate Governance and the Whistleblower Protection Act 2010 which, among other things, encourage companies to offer stakeholders an avenue to raise concerns, in confidence, about possible irregularities in the companies.</p> <p>Further details pertaining to the Whistle-blowing Policy can be found at the Company's website at www.farlim.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure :		
Timeframe :		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

Application	:	Applied
Explanation on application of the practice	:	The Group's sustainability practices focus on ensuring that economic, environmental and social risks and opportunities are tied in with the governance framework and social responsibilities. The Group strives to adopt a progressive approach in integrating sustainability in everything that they did. The Group endeavour to manage their business in a socially responsible manner that align to the Group's business strategy.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.2

The board ensures that the company’s sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	The Group’s managed to remain sustainable and generating long-term shareholder value mainly influenced by several internal and external factors. Each material factor presents unique risks and opportunities to the organisation and is a key consideration in the Group’s approach to strategise formulation and execution as it substantially influences the assessments and decisions of Group’s internal and external stakeholders. The Group regularly review these factors to assess their impact on the business model over the near, medium and long term.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Application	:	Applied	
Explanation on application of the practice	:	The Board has committed to stay abreast with the latest development in the sustainability issues relevant to the Group. The Board gains access to the sustainability issues updates via news, publications from relevant agencies to achieve sustainable long-term value.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company’s material sustainability risks and opportunities.

Application	:	Adopted	
Explanation on application of the practice	:	<p>The Nomination Committee has carried out an evaluation of the effectiveness of the Board and Board Committees and individual Directors. This includes the Role and Responsibilities of the Board; the Board composition; Information to the Board; Conduct of Board meetings, Performance Evaluation on Board and Board Committees and Directors’ self-assessments. The Nomination Committee reviewed the outcome of the evaluation exercise and the areas for continuous improvement.</p> <p>Management’s commitment in taking into account Sustainability considerations when implementing Company strategies, business plans and risk management policies/procedures is, amongst others one of the criteria in their performance assessment. The Board’s observations and Management’s feedback had been consistent on the need for focus and attention in Sustainability whereby Environmental, Social and Governance practices will remain as one of the areas requiring ongoing attention for continuous improvement.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee ("NC") noted the provisions of Paragraph 15.08A(3)(c) of Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad requiring assessment by the NC in respect of the Board, Board Committees which comprising the Audit Committee, Executive Committee, Remuneration Committee, Risk Management Committee and individual Directors by furnishing the criteria used for such assessment.</p> <p>The said assessments were carried out by NC accordingly and members of NC have abstained from evaluating its own performance.</p> <p>Upon the completion of all the assessments, the results of the said assessments revealed that the performance of the Board of Directors, the respective Committees of the Board, and individual Directors are satisfactory and had conveyed to the Board of Directors accordingly.</p> <p>The NC also noted that pursuant to Practice 5.1 of Malaysian Code on Corporate Governance 2021 ("MCCG 2021"), NC should ensure that the composition of the Board is refreshed periodically and the tenure of each director should be reviewed by the NC and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the Board.</p> <p>The NC also noted that pursuant to Paragraph 15.01A of MMLR, a listed issuer must:-</p> <ul style="list-style-type: none">(a) have a fit and proper policy for the appointment and re-election of directors of the listed issuer and its subsidiaries;(b) ensure the policy addresses board quality and integrity and will aid the listed issuer to comply with Paragraph 2.20A of MMLR; and(c) make available the policy on its website. <p>NC had conducted its review pursuant to Practice 5.1 of MCCG 2021, taking into consideration of Fit and Proper Policy and had received the completed and signed Fit and Proper Declaration Forms from the following Directors who retire pursuant to Clause 90 and 106 of the Company's Constitution respectively at the forthcoming Annual General Meeting ("AGM") of the Company:-</p>

	<p><u>Clause 90 of the Company's Constitution</u></p> <ol style="list-style-type: none"> 1. Mr. Yong Yew Wei; and 2. Mr. Wong Hon Weng. <p><u>Clause 106 of the Company's Constitution</u></p> <ol style="list-style-type: none"> 1. Mr. Koay Say Loke Andrew; and 2. Miss Adlina Hasni Binti Zainol Abidin. <p>Upon completion of the assessments and due deliberation, NC is satisfied with the performance and contribution of the retiring Directors and have provided valuable contribution to the leadership of the Boards.</p> <p>To that, NC and the Board collectively resolved to recommend the re-election of abovenamed Directors at the forthcoming AGM.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.2

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Currently, three (3) out of seven (7) members of the Board are Independent Directors. The concept of independence as adopted by the Board is consistent with the definition of Independent Directors outlined in Paragraph 1.01 and Practice Note 13 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.	
		The Company also complied with Paragraph 15.02(1)(a) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad in terms of fulfilling at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are Independent Director.	
		The Board is mindful that it does not comprise at least half of Independent Director and will address the matter with the objective of increasing the member of Independent Directors.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.3

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 provide justification and seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company noted that Bursa Malaysia Securities Berhad ("Bursa Securities") had via its letter dated January 19, 2022, made various amendments to Main Market Listing Requirements of Bursa Securities and one of the amendments was Independent Director serving for more than twelve years shall resign or be re-designated as Non-Independent on or after June 1, 2023.</p> <p>Mr. Koay Say Loke Andrew had served the Board of Directors for a cumulative term of more than twelve years since June 22, 2010 and Encik Khairilnuar Bin Abdul Rahman has been appointed as Director of the Company for a cumulative term of more than eleven years since August 18, 2011.</p> <p>In view of both directors are the members of NC and hence, they have abstained themselves from the discussion and the said matter had been deliberated and discussed with the Board of Directors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.4 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.5

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.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board and the Nomination Committee take into account the current diversity in the skills, experience, gender, age, ethnically and cultural background of the existing Board in seeking the potential candidate(s).</p> <p>Size, composition, gender and nomination</p> <p>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.</p> <p>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.</p> <p>The Board Chairman shall not be the chairman or a member of any board committees.</p> <p>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.</p> <p>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.</p>

	<p>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.</p> <p>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.</p> <p>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.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.6

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.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board Charter, Board Diversity Policy and Fit and Proper Policy of the Company sets out the criteria and approach on identifying and evaluating the potential candidates for appointment as Directors. The Board does not solely rely on recommendations from existing Board Members, Management or Major Shareholders or utilise external sources to identify suitably qualified candidates. The Nomination Committee and the Board will utilise independent sources to identify suitably qualified candidates.</p> <p>Should there be selection of candidates based on recommendations made by existing Board Members, Management or Major Shareholders, the Nominating Committee should explain why these sources suffice and other sources were not used.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

Application	:	Applied
Explanation on application of the practice	:	<p>Through the Director's Fit and Proper Declaration Form, the Nomination Committee ("NC") has assessed the Directors' eligibility for re-election and appointment by considering their competencies, commitment, contribution, and sufficient time to effectively discharge his/her responsibilities.</p> <p>Assessments were carried out by the Nomination Committee ("NC") accordingly and the Board has endorsed the recommendation of the NC for Directors standing for re-election and the Directors concerned will abstain themselves from deliberation and decisions by the Boards on their re-appointment.</p> <p>The retiring directors who are standing for re-election are set out in the explanatory notes to the notice of Forty-First Annual General Meeting of the Company.</p> <p>The Annual Report and the said notice are available on the Company's website at www.farlim.com.my. as well as the website of Bursa Malaysia Securities.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.8

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The Nomination Committee is chaired by Encik Khairilnuar Bin Abdul Rahman who is an Independent and Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.9

The board comprises at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Miss Adlina Hasni Binti Zainol Abidin is the sole female Director on Board comprising 14.29% of the board composition. However, her presence is complying with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which mandates the presence of at least one (1) female Director on Board.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.10

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

Application	:	Applied	
Explanation on application of the practice	:	The Board composition has taken into account adequate mix of skills, experience, independence and diversity which includes the diversity of gender, ethnicity and age of the Members who are well-equipped with relevant knowledge and/or experience for contribution towards the achievement of objectives of the Company, details of which are set out in the Board Diversity Policy which approved by the Board for publication on the Company's website at www.farlim.com.my	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 6.1

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 its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
Application	: Applied
Explanation on application of the practice	: <p>The formal and objective annual evaluation of the Board, Board Committees and each individual Director has been carried out by the Nomination Committee to determine the effectiveness of the Board at a whole.</p> <p>Assessment by the Nomination Committee has been carried out in writing basing on the criteria applicable and required in relation to the Board, its respective Committees and each individual Director and the findings are thus far satisfactory.</p> <p>The performance appraisal has been set out in the Board Charter of the Company as follows:-</p> <p>Performance Appraisal</p> <p>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.</p> <p>When assessing its performance, the Board shall also evaluate its performance vis-à-vis the provisions in the Board Charter, including the performance of the Board in addressing the Group's material sustainability risks and opportunities.</p> <p>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.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company’s desire to attract and retain the right talent in the board and senior management to drive the company’s long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 7.1

The board has remuneration 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 remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company’s website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company has adopted a Board Remuneration Policy which aims to provide a clear guide to determine the remuneration of directors and senior management, taking into account the Group’s performance as well as the skills and experience required and the contribution from the directors and senior management. The Board has a Remuneration Committee to implement its remuneration policy and procedures, including reviewing and recommending matters relating to the remuneration of the Board and senior management.</p> <p>Remuneration</p> <p>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.</p> <p>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</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 7.2

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.

Application	:	Applied
Explanation on application of the practice	:	<p>A Remuneration Committee set up by the Company comprising three Members, all of whom are Non-Executive and Independent Directors, and is responsible for:-</p> <ul style="list-style-type: none">(a) Determining, developing, and recommending to the Board a fair and transparent remuneration policy and procedures for Board and senior management;(b) Recommending to the Board for remuneration and benefit in kind of executive directors and senior management in all its forms, drawing from external professional advice as necessary;(c) Assessing the remunerations of executive directors and senior management and ensuring that they are reflective of the Group's demands, complexities, and performance as a whole, as well as skills and experience required in line with the strategic objectives of the Group and compensation offered by comparable companies and in the employment market;(d) Reviewing the disclosure of remuneration of the Board and senior management in the annual report and ensuring the disclosure is in the best interests of the Company taking into account diverse perspectives;(e) Reviewing and recommending to the Board regarding the independent and non-executive directors' remuneration (including directors' fees and other benefits payable), based on their respective contribution, expertise, commitment, and responsibilities undertaken without conflicting with their objectivity and independent judgment on matters discussed; and

	(f) Recommending the engagement of external professionals to assist and/or advise the Committee and the Board, on remuneration matters, where necessary. The Terms of Reference of Remuneration Committee is accessible on the Company's website at www.farlim.com.my .	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 8.1

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.

Application	:	Applied
Explanation on application of the practice	:	The detailed disclosure on named basis for the remuneration of individual Directors for the financial year ended December 31, 2022 is set out below.

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Tan Sri Dato' Seri Lim Gait Tong	Executive Director	0	0	525,000.00	0	15,500.00	0	540,500.00	0	0	525,000.00	0	15,500.00	0	540,500.00
2	Datuk Seri Haji Mohamed Iqbal Bin Kuppa Pitchai Rawther	Executive Director	0	0	420,000.00	105,000	0	0	525,000.00	0	0	420,000.00	105,000	15,500.00	0	540,500.00
3	Lim Chu Dick	Executive Director	0	0	115,333.00	0	8,700.00	0	124,033.00	0	0	115,333.00	0	8,700.00	0	1124,033.00
4	Yong Yew Wei	Executive Director	0	0	125,333.00	0	8,153.00	0	133,486.00	0	0	125,333.00	0	8,153.00	0	133,486.00
5	Koay Say Loke Andrew	Independent Director	45,600.00	0	0	0	0	0	45,600.00	0	0	0	0	0	0	0
6	Khairilnuar Bin Abdul Rahman	Independent Director	45,600.00	0	0	0	0	0	45,600.00	0	0	0	0	0	0	0
7	Adlina Hasni Binti Zainol Abidin	Independent Director	45,600.00	0	0	0	0	0	45,600.00	0	0	0	0	0	0	0
8																
9																
10																
11																
12																
13																
14																
15																

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 8.2

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.

Application	:	Not applicable - all members of senior management are members of the board	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1								
2								
3								
4								
5								

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 8.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

No	Name	Position	Company ('000)					Total
			Salary	Allowance	Bonus	Benefits	Other emoluments	
1								
2								
3								
4								
5								

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 9.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of Audit Committee is Mr. Koay Say Loke Andrew who is not the Chairman of the Board of Directors.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 9.2

The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	The Board has approved revisions to the Terms of Reference of the Audit Committee to reflect the requirement for a former partner of the external audit firm (including but not limited to those providing advisory services and tax consultancy as well as their affiliates firms) to observe a cooling-off period of at least 3 years before being appointed as a member of the Audit Committee.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

Application	:	Applied
Explanation on application of the practice	:	<p>The Evaluation of External Auditors Policy has set out the considerations and procedures to evaluate the suitability, objectivity, and independence of the external auditor in order to safeguard the quality and reliability of audited financial statements.</p> <p>In addition, the said Policy also covers the following areas:-</p> <p>1. Appointment Criteria for External Auditors</p> <p>Before selecting the External Auditors for the Company and the Group or recommending the appointment of the External Auditors to the Board for shareholders' approval, the Audit Committee shall evaluate the external audit firm and the audit team or by considering the following criteria:</p> <ol style="list-style-type: none">i. The registration with the Audit Oversight Board;ii. The experience in auditing the financial statements of public listed companies in the similar industries;iii. The network firms in supporting audits in overseas entities;iv. The past or ongoing legal cases against the firms including reprimand records, if any by authorities and their findings on the firms;v. The independence and confidentiality philosophy, policies and procedures of the firms;vi. The present engagement with the Group for non-audit services, if any;vii. The quality, resource capacity and competency of the audit team assigned to perform the audit;viii. The reputation and integrity of the audit partner-in-charge or the new partner-in-charge under the regulatory requirement on audit partner rotation;ix. The performance of the current audit team in meeting deadlines, their communication skills, clarity of presentations and the quality of the reports; andx. The appropriateness of the audit fee charged and its impact on their audit work quality and independence.

	<p>2. Appointment for Non-Audit Work</p> <p>External auditors' independence can be impaired by providing non-audit services (i.e., services not related to the statutory audit) to the Group.</p> <p>Therefore, before recommending any non-audit service engagements to the Board for approval, the Audit Committee shall evaluate potential circumstances that may erode the auditor's objectivity and independence due to the provision of non-audit services and their fee. The Audit Committee shall also obtain confirmation from the external auditor that the provision of non-audit services will not impair their independence.</p> <p>When the non-audit fees constitute 50% or more of the total audit fees paid to the external auditors, such non-audit fees shall be disclosed in the Annual Report, stating the nature of services and the amount incurred on a Group.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprise solely of Independent Directors.

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is satisfied that the Audit Committee ("AC") members possess the necessary skills to discharge its duties and are financially literate, competent and have the ability to understand matters under the purview of the AC including the financial reporting process. The profile of the AC members is set out in the Annual Report 2022.</p> <p>The AC members attend training programmes and seminars to keep themselves abreast of relevant developments in standards and practices in accounting and auditing, listing requirements, corporate law, risk management and changes in the business environment.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 10.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board defines its Risk Management Policy established a Risk Management Committee to oversee the risk management processes in the Group.</p> <p>Details of the said Policy are set out below:-</p> <p>1. Objective The risk management objective of the Group is to promote greater appreciation and awareness of risks; and proactive identification and management of risks among the staff members in order to continuously strengthen the Group's risk management competency.</p> <p>2. Board's Responsibilities The primary responsibility of the Board in risk management is to 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.</p> <p>3. Risk Appetite Risk appetite is defined as the amount of risk that the Group is willing to accept in pursuit of its value creation process. When determining the risk appetite of the Group, the Board would consider its business priority and timing as well as the financial position and resources of the Group.</p> <p>4. Risk Management Committee ("RMC") The Board established a RMC to assist them in assessing and overseeing the adequacy and effectiveness of risk management framework and policies in the Group. The composition of the Risk Committee shall comprise majority of Independent Directors.</p> <p>5. Management's Responsibilities The responsibilities of Management with respect to risk management include:</p> <ul style="list-style-type: none">i. To implement effective risk management framework;ii. To monitor and manage risk in accordance with the Group's

- overall risk appetite;
- iii. To identify changes in material or emerging risks and promptly bring these risks to the attention of the Board;
 - iv. To promote risk awareness among the employees of the Group;
 - v. To educate the heads of departments and line managers of their collective assurance responsibilities to the Board;
 - vi. To present and brief the Board and RMC of the Group's risk profile and register;
 - vii. To assess, update and present the risk status, Management action and result of the risk profile to the Board;
 - viii. To integrate risk management process to standard operating procedures and performance appraisal; and
 - ix. To assure the Board and RMC that the Group's risk management and internal control systems are operating adequately and effectively.

6. Risk Assurance

Executive Directors and key senior executives should provide assurance to the Board that risk management processes of the Group are working effectively and all key risks are being managed to an acceptable level.

In order to supplement the consideration of the Board on the assurance provided by Executive Directors and key senior executives, the Internal Auditors shall evaluate and provide its objective and independent views on the state of risk management and internal controls to the Board periodically.

7. Disclosure

The annual report and financial statements of the Group should include such meaningful information necessary to assist shareholders' understanding of the main features of the Group's risk management processes and systems of internal control.

The Board should, in its disclosure include a discussion on how key risk areas such as finance, operations, regulatory compliance, reputation, cyber security and sustainability were evaluated and the controls in place to mitigate or manage those risks. In addition, the Board should state if the risk management framework adopted by the Group is based on an internationally recognised risk management framework.

The Board should also disclose whether it has conducted an annual review and periodic testing of the Group's internal control and risk management framework and the insights it has gained from the review as well as changes made to its internal control and risk management framework arising from the review.

Where information is commercially sensitive and may give rise to competitive risk, it is acceptable for the Board to disclose its risk information in general term.

	<p>The Risk Management Committee was set-up on May 25, 2017 and currently comprising five Members, three of whom are Non-Executive and Independent Directors.</p> <p>The duties, responsibilities and functions of the Risk Management Committee are as appended hereunder:-</p> <p>(a) Risk Management :</p> <ol style="list-style-type: none"> 1. Reviews and recommends appropriate risk management strategies, policies and risk tolerances in line with the Group's business objectives for approval of the Board; 2. Ensures the implementation of the risk management framework and reviews the adequacy and integrity thereof in identifying, assessing and managing risk and in establishing the Group's risk appetite; 3. Discusses with management on action taken to improve the risk management framework based on the risk identified in the risk management reports; 4. Reviews the adequacy of the scope, functions, competency and resources of risk management of the Group and ensures that it has the necessary authority to carry out its work; 5. Considers and evaluates other matters as deemed appropriate by the Committee and/or as authorised by the Board; and 6. All recommendations and findings of the Committee shall be submitted to the Board for approval and notation. <p>(b) Sustainability Reporting</p> <ol style="list-style-type: none"> 1. Oversees the management of principal business risks and significant or material economic, environmental and social factors; 2. Ensures resources and processes are in place to enable the organisation to achieve its sustainability commitments and targets; and 3. Reviews disclosure statements relating to management of sustainability matters of the Group in Annual Report.
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 10.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	The disclosure of the relevant features of risk management and internal control framework and its adequacy and effectiveness is set out in the Statement of Risk Management and Internal Control contained in the Annual Report 2022.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 10.3 - 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.

Application	: Adopted
Explanation on adoption of the practice	<p>The Risk Management Committee ("RMC") established by the Company comprises a majority of Independent Directors and the members of RMC are as follows:-</p> <ol style="list-style-type: none">1. Mr. Koay Say Loke Andrew (Independent Director) – Chairman;2. Encik Khairilnuar Bin Abdul Rahman (Independent Director);3. Miss Adlina Hasni Binti Zainol Abidin (Independent Director);4. Mr. Yong Yew Wei (Executive Director); and5. Mr. Wong Hon Weng (Executive Director). <p>The composition of the RMC of the Company shall take into consideration the following:-</p> <ol style="list-style-type: none">(i) The Board shall appoint the Members with a majority of them being Independent Directors;(ii) The period of appointment shall be concurrent with their tenure on the Board unless otherwise decided by the Board;(iii) The composition of the Committee must not be less than three (3) Members;(iv) Where the members for any reason are reduced to less than three, the Board shall within three (3) months of the event, appoint such number of new Members as may be required to make up the minimum number of three (3) Members;(v) The Chairman of the Committee shall be an Independent Director; and(vi) Members of the Committee may relinquish their membership in the Committee with prior written notice to the Committee and may continue to serve as Director of the Company. <p>The duties, responsibilities and functions of the Risk Management Committee are as appended hereunder:-</p> <p>(a) Risk Management :</p> <ol style="list-style-type: none">1. Reviews and recommends appropriate risk management strategies, policies and risk tolerances in line with the Group's business objectives for approval of the Board;2. Ensures the implementation of the risk management framework and reviews the adequacy and integrity thereof

	<p>in identifying, assessing and managing risk and in establishing the Group's risk appetite;</p> <ol style="list-style-type: none"> 3. Discusses with management on action taken to improve the risk management framework based on the risk identified in the risk management reports; 4. Reviews the adequacy of the scope, functions, competency and resources of risk management of the Group and ensures that it has the necessary authority to carry out its work; 5. Considers and evaluates other matters as deemed appropriate by the Committee and/or as authorised by the Board; and 6. All recommendations and findings of the Committee shall be submitted to the Board for approval and notation. <p>(b) Sustainability Reporting</p> <ol style="list-style-type: none"> 1. Oversees the management of principal business risks and significant or material economic, environmental and social factors; 2. Ensures resources and processes are in place to enable the organisation to achieve its sustainability commitments and targets; and 3. Reviews disclosure statements relating to management of sustainability matters of the Group in Annual Report.
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Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 11.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has established an internal audit function headed by qualified personnel which reports directly to the Audit Committee and carries out the internal audit reviews on the operating departments within the Group based on the annual audit plan that has been approved by the Audit Committee. The said internal audit function carries out regular reviews of the adequacy and integrity of internal control system, procedures, and implement the measures to ascertain compliance with policies and procedures in order to provide reasonable assurance on the efficiency and effectiveness of the system.</p> <p>The internal audit unit performs its function in accordance with the standards set by recognized professional bodies and conducts regular reviews and appraisals of the effectiveness of risk management and internal control processes.</p> <p>Internal audit reports are made available which highlight significant findings or deficiency requiring management’s attention and provide recommendations on areas for improvement. Follow-up reviews would subsequently be conducted to ensure that appropriate corrective action plan has been implemented to address control weaknesses highlighted.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 11.2

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has engaged an internal audit professional firm, IA Essential Sdn. Bhd. to carry out the internal audit function and the firm has deployed a team of qualified personnel headed by Mr. Chong Kian Soon <i>CAANZ MICPA CMIIA</i> to carry out the necessary services to the Company.</p> <p>The above qualified team of personnel is free from any relationship or conflict of interest which could impair its objectivity and independence.</p> <p>The internal audit function is carried out in accordance with a recognised framework.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 12.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has included in its Board Charter outlining the communication with stakeholders.</p> <p>Details of the said Policy are set out hereunder:-</p> <p>Communication with Stakeholders</p> <p>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.</p> <p>The principles governing the Board's stakeholders' communication are as follows:</p> <ul style="list-style-type: none">• 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

	<ul style="list-style-type: none"> 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. 	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 12.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Not applicable – Not a Large Company	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	All notices of Annual General Meetings (“AGM”) of the Company are given to the shareholders more than 28 days prior to AGM, which is in advance of the 21-days requirement under the Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad. On April 29, 2022, a notification was sent to all shareholders by ordinary post to inform that the Notice of the 40th AGM has been scheduled to be held on June 23, 2022 were published on Farlim's website as well as Bursa Malaysia’s website.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	All Directors of the Company including the Chairmen of Audit Committee, Nomination Committee, Risk Management Committee, Remuneration Committee and Executive Committee attended the 40th Annual General Meeting and offered meaningful responses to questions addressed to them.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.3

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders’ participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

Application	:	Applied
Explanation on application of the practice	:	<p>The 40th Annual General Meeting ("AGM") of the Company was conducted fully virtual via online meeting platform. The entire proceedings of the said AGM was held through Remote Participation and Electronic Voting ("RPEV") facilities provided by our Share Registrar, Boardroom Share Registrars Sdn. Bhd. ("BSR"), via its BSR Online Website at https://meeting.boardroomlimited.my which would ensure good cyber hygiene practices were in place including data privacy and security to prevent cyber threats. With the RPEV facilities provided by BSR, shareholders were able to participate and vote remotely.</p> <p>The convening of the said AGM on a fully virtual basis via online meeting platform in the past year was a measure undertaken by the Company to ensure that the said AGM was interactive where the shareholders were provided with adequate opportunity to participate at the meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>	
Application :	Applied
Explanation on application of the practice :	<p>The 40th Annual General Meeting ("AGM") was conducted fully virtual via online meeting platform. Shareholders were allowed to submit their questions electronically through the online platform provided by our Share Registrar, Boardroom Share Registrars Sdn. Bhd. prior to the AGM or through the query box for transmitting the questions to the Board of Directors via Remote Participation and Electronic Voting ("RPEV") facilities during live streaming of the AGM. Hence, all questions raised by shareholders including those on financial and non-financial performance as well as the company's long-term strategies have been given a meaningful response to the shareholders.</p> <p>The Chairman of the Board and all Board members, Company Secretary and External Auditors were presented during the said AGM to enable the meeting to be supported by meaningful engagement between the Company and shareholders.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<p><i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i></p>	
Application	: Applied
Explanation on application of the practice	: <p>In view of the COVID-19 pandemic, the Annual General Meetings of the Company were conducted virtually in the past three years.</p> <p>Boardroom Share Registrars Sdn. Bhd. was engaged to provide the RPV Facilities for the conduct of the 40th Annual General Meeting (“AGM”). The detailed procedures to participate in the virtual meeting were outlined in the Administrative Guide.</p> <p>Shareholders and proxies were able to view the live webcast of the AGM proceedings, post questions to the Board and/or Management and submit their votes in real-time whilst the meeting was in progress.</p> <p>The advance and real-time questions from the shareholders and the Company’s responses were displayed on the screen during the AGM.</p> <p>The Poll Administrator briefed the shareholders through its video presentation on the e-voting procedures at the commencement of the AGM. The poll results were verified by the Independent Scrutineers and announced by the Chairman subsequently.</p> <p>The Company will consider the adoption of such measure and provision of the required infrastructure, tools and facilities at the forthcoming Annual General Meeting.</p>
Explanation for departure	:
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure :		
Timeframe :		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.6

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

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>	
Application	: Applied
Explanation on application of the practice	: The Minutes of 40th Annual General Meeting held on June 23, 2022 duly confirmed and signed by the Chairman of the Meeting were uploaded on Farlim’s website at http://farlim.com.my/annual-general-meeting/ on July 4, 2022 which was within 30 working days after holding of our 40th Annual General Meeting.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

Not applicable
