

**SUNGEI BAGAN RUBBER COMPANY (MALAYA) BERHAD**  
**Registration No. 195801000191 (3327-U)**

**CORPORATE RULES AND REGULATIONS MANUAL**  
**CODE OF CONDUCT & BUSINESS ETHICS ("the Code")**

**(UPDATED 8 OCTOBER 2020)**

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## **1. INTRODUCTION**

- 1.1. Sungei Bagan Rubber Company (Malaya) Berhad ("***Sungei Bagan***" or the "***Company***") and its subsidiary companies (is collectively known as the "***Group***") and the Group's employees shall comply with the Code of Conduct set out below.
- 1.2. It is a fundamental requisite of the Group that all its employees are expected to observe and comply with the Code of Conduct and Rules & Regulations applicable to the Group's business and that they are expected to behave / act in an ethical standard of integrity.
- 1.3. In line with good corporate governance practices, the Board, the management and employees of the Group shall act honestly, objectively and diligently while carrying out their duties and they shall not act in a manner which could discredit the Group in any manner.
- 1.4. For all intents and purposes, all directors, management and employees shall always observe and ensure compliance with all applicable laws, rules and regulations to which they are bound to observe in the performance of their duties. They are expected to understand the Code of Conduct and to act / behave in accordance to the requirement as they are an integral part of the Group's corporate governance. The Code of Conduct has been designed to:
  - *Ensure decisions and judgments made by employees are lawful and of ethical standard;*
  - *Create and set a culture for the Group;*
  - *Assist employees when making difficult decision in the course of their duties; and*
  - *Give confidence to the Company's stakeholders.*
- 1.5. The Code of Conduct shall be applicable to all level of employees, senior management and directors (including full time, probationary, contract and temporary staff) of the Group and all shall be known as "***Employees***". It is the duty of every employee to read and understand the Code as violation of any part of the Code's provisions can result in disciplinary action that may include termination of employment.
- 1.6. If a director requires further clarification on the Code, the director may refer or highlight any concerns to the Chairman of the Board, whereas for an employee, he / she may refer or highlight any concerns to his / her manager.

## **2. COMPLIANCE**

- 2.1. Compliance to the Code of Conduct will be monitored and reviewed by the senior management and approved by the Board of Directors of Sungei Bagan.
- 2.2. Employees have a duty to report any incidences of non-compliance of this Code by any level of employees.
- 2.3. Appropriate Disciplinary action will be taken for breach of any part of the Code, including and without limitation to termination of service / employment.

## **3. LAWS & REGULATIONS**

- 3.1. All employees shall observe the relevant Laws & Regulations applicable to the Group's business at all times. As the laws and regulations that apply to the Group's business are numerous and often complex, therefore, in case of any doubts arises in relation to compliance with the Code, Laws or Regulations, employees must seek guidance from their manager.
- 3.2. In any circumstances, no manager has the authority to require or approve any action that is in contrary or against any Laws, Regulations or the Code. If any employee is instructed by a director, senior manager or executive / supervisor to do something which involves, or appears to be involve in an illegal activity or a breach of the Code, he / she should bring the matter to the attention of his or her immediate superior, the next level of the superior, or the Executive Director on a confidential basis.
- 3.3. The Code of Conduct absolutely prohibits retaliation against any employee for reporting, raising questions in good faith about possible violations of the law / regulations or any part of this Code.
- 3.4. All employees are required to observe the highest ethical standards wherever doing business for the Group and they should never compromise the Code for the sake of results under any circumstances.
- 3.5. Good judgment may be needed where observance of a local custom or practice would produce a result different from that envisaged by the Code. In such a case, the employee should ask himself or herself whether he / she are able to justify his / her action. And if the dilemma cannot be resolved in this manner, he or she shall bring the matter to the attention of his or her superior or if needed to the highest level of his / her superiors.

## **4. CONFLICTS OF INTEREST**

- 4.1. Directors and employees should at all times avoid involving themselves in situations where there is real or apparent conflict of interest between them as individuals and the Group's interest. Directors and employees must not use their positions or knowledge gained directly or indirectly in the course of their duties or employment for private or personal advantages (directly or indirectly). In addition, a director or an Employee shall

avoid any situation in which the director or employee has an interest in any entity or matter that may influence the director or employee's judgment in discharging their responsibilities.

- 4.2. The obligation for disclosure and avoiding conflict of interest applies not only to situations directly involving any employee but also to situations involving spouse, other members of his or her close relative that would have to be disclosed. A close relative is someone of whom the employee has a close family or personal relationship such that it could give rise to a conflict of interest in the given situation. It includes any spouse, partner, parent, step parent, child, step child, sibling, step sibling, nephew, niece, aunt, uncle, grandparent, grandchild (and any such relationships arising by marriage).
- 4.3. Conflicts of interest arise when an employee's position or responsibilities with his or her employer presents an opportunity for personal gain, regardless of whether the benefit is in fact obtained, apart from the normal rewards of employment or when an employee gives preference to his personal interests where his duties and responsibilities to the company should come first.
- 4.4. For the purpose of the Code, it is not possible to detail every situation where conflicts of interest may arise. Therefore, each function within the Group would have its own list of areas which have the potential for conflict given the nature of the business and the environment in which the Group operates.
- 4.5. A conflict of interest may exist in the following situations:
  - *A personal financial interest ("interest") in a business which has significant transactions or dealings with the Group and the employee is in a position to influence decisions in the Group. Any such interest that might give rise to a potential conflict of interest, because it creates a threat that the employee's business judgments can and might be influenced by the other interest rather than the interests of the Group. Any employee who has or proposes to have such an interest should disclose it to his / her or her Superior who must obtain clearance from the Executive Director.*
  - *For the avoidance of doubt, this disclosure obligation extends to interests in suppliers, customers and other companies which have significant transactions or dealings with the Group whether or not such companies are privately owned or publicly traded.*
  - *The use or exploitation of knowledge or information gained from employment within the Group or to take advantage of a corporate opportunity in order to obtain a personal gain or benefit for his / her self or any of his / her close relatives, without first disclosing his intention to do so and without obtaining prior written approval needed;*
  - *Working for / on behalf of a third party or Company without obtaining approval needed to do so. Arrangements of this kind are never permissible, for example working for a competitor of the Group or any customer or supplier which the employee deals as part of his role within the Group;*
  - *Employees' close relative works or performs services for, or has a material financial interest in, any competitor, supplier, customer or other business with which the Group has significant business dealings. The activities of employees' close*

*relatives can sometimes create conflicts of interest and such activities shall be disclosed.*

- 4.6. Employees shall not be involved with the omission of any act, without prior disclosure, which gives an undue advantage to an outside party in its dealings with the Group.
- 4.7. Employees are not prohibited from using his or her efforts to cause the Group to do business with a friend or relative or their business enterprises, provided that the proposal is in the best interest of the Group and when:
- *the employee has no significant financial interest in the business of the friend or Relative;*
  - *the employee does not receive a bonus, commission or other item of significant value from the friend or relative in connection with the business transaction;*
  - *the employee abstains from decision making on or approving the specific business transaction; and*
  - *Details of the proposed transaction and relationship are, in advance of any commitment, submitted by the immediate Superior of the employee concerned to the Executive Director for approval.*

- 4.8. Section 221 of the Malaysian Companies Act, 2016 ("CA") states that:

*Subject to this section, every director of a company who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the company shall, as soon as practicable after the relevant facts have come to the director's knowledge, declare the nature of his interest at a meeting of the board of directors.*

- 4.9. Section 228 of the Malaysian Companies Act, 2016 ("CA") states that:

*Subject to subsections (2) and section 229, a company shall not enter or carry into effect any arrangement or transaction where a director or a substantial shareholder of the company or its holding company, or its subsidiary, or a person connected with a director or substantial shareholder –*

- a) *Acquires or is to acquire shares or non-cash assets of the requisite value, from the company; or*
- b) *Disposes of or is to dispose of shares or non-cash assets of the requisite value, to the company,*

*Unless-*

- A) *The entering into the arrangement or transaction is made subject to the approval of shareholders at a general meeting; or*
- B) *The carrying into effect of the arrangement or transaction has been approved by shareholders at a general meeting.*

- 4.10. Listing requirements of Bursa Malaysia ("Listing Requirements")

In addition, a transaction which involves the interests, direct and indirect of a related party must be announced or need shareholders' approval under the Listing Requirements as the case may be. A related party means a director, major shareholder or person connected with such director or major shareholder.

## 5. INSIDE INFORMATION, CORPORATE OPPORTUNITY AND INTERESTS IN COMPETING BUSINESSES

### 5.1. Inside information

No employee shall use inside information for his or her own pecuniary advantage or for that of a friend or relative. Thus, for example, each employee shall refrain from knowingly buying or selling the Company's shares, for his or her own account or for the account of a friend or relative, buying or selling any interests in commercial enterprises, buildings or building sites which the Group may be considering buying or selling, or has decided to buy or sell, until the Group's decision has been completely executed and has been made public.

No employee shall retain on his personal premises or disclose any trade secrets or confidential commercial information relating to the Group. No employee shall disclose outside the Group any knowledge or decisions or other information about the Group (such as giving tips or inside information) which might be prejudicial to the interests of the Group or especially advantageous to the employee or others.

5.2. If an employee has or receives information that may constitute inside information in relation to the Company's shares, then he should immediately disclose this inside information, either to his / her immediate superior or where the inside information arises in connection with a specific project, he / she should raise it to the Executive Director.

5.3. Inside information should be disclosed only with specific authority and only to:

- *those employees who require it to carry out their functions within the Group; or*
- *to agents or representatives of the Group who owe a duty of confidentiality to that Group and require such information to carry out work on its behalf.*

5.4. Substantial ownership of shares, stocks or other securities or interests by any director in any company whose business activity which are in direct competition with the Group or involves activities against the Group's interest must be reported to the Board and noted in the minutes of its Board meeting. For the avoidance of doubt, this policy does not apply to *any investments owned by an employee prior to his employment in the Company provided that the matter has been disclosed in writing to his or her superior prior to his or her appointment.*

5.5. Section 218 of the Malaysian Companies Act, 2016 ("CA") states that:

A director or officer of a company shall not, without consent or ratification of a general meeting:

- a) use the property of the company;*
- b) use any information acquired by virtue of being a director or officer of the company;*
- c) use his/her position as such director or officer;*
- d) use any opportunity arising from the performance of his / her function as a director or officer;*
- e) engage in business which is in competition with the Group; to gain, directly or indirectly, a benefit for him / herself or another person or cause detriment to the Group.*

## **6. INSIDER DEALING AND MARKET ABUSE**

- 6.1. An insider is any employee who has access to price sensitive non-public information which could affect the price of shares of the Company when it becomes generally known. If such employee uses or provides such information for profit or to avoid loss, his or her conduct is unlawful in the eyes of the law and is punishable by the law of Malaysia.
- 6.2. Dealings in securities of a listed public company by a director or any principal officer of a listed public company who is in possession of price-sensitive information are also prohibited under Chapter 14.04 of the Listing Requirements. Even where they are not in possession of price-sensitive information, a director or principal officer would also need to comply with Chapter 14.05 the Listing Requirements in respect of dealings during the "Closed Periods".

## **7. BRIBERY AND CORRUPTION**

Please refer to the Company's Anti-Bribery & Anti-Corruption Policy & Guidelines approved by the Board of Directors, effective as at 1 June 2020.

A copy is available on the Company's website.

## **8. CORPORATE SOCIAL RESPONSIBILITY, DONATION AND SPONSORSHIP**

Please refer to the Company's Anti-Bribery & Anti-Corruption Policy & Guidelines approved by the Board of Directors, effective as at 1 June 2020.

A copy is available on the Company's website.

## **9. COMPETITION LAW**

- 9.1. The Group believes in free competition and as such it will compete fairly in the marketplace and comply with the competition laws of each country or geographical area in which it operates. The Group encourages compliance with fair competition rules as it enables the Group to enhance its strength in the marketplace and ultimately its profitability.
- 9.2. Employees are expected to be aware of and be fully compliant with the competition laws affecting the Company and the Individual itself.
- 9.3. In the event that there is any doubt as to whether a particular business practice or activity will infringe any competition law or the Group's guidelines on fair competition rules, the matter should be referred to the Executive Director.
- 9.4. Competition laws may affect both horizontal activities among competitors and also vertical arrangements between a supplier and its customers.

## 10. PRICE SENSITIVE INFORMATION

- 10.1. No director or employee shall use price sensitive non-public information, which can affect the prices of the securities of the Company when it has not become publicly known ("Inside Information"), for personal benefit. Directors and employees are prohibited to trade in securities or to provide information to others to trade in securities of the Company until the Inside Information is publicly released. Directors or Employees shall also not trade in securities in any other companies where they have Inside Information which they obtain in the performance of their duties.
- 10.2. No information which is price sensitive may be released by any employee of the Group. The crucial issue in determining if any information is price sensitive is whether it is of sufficient significance as to be likely to affect the Company's share price. Such price sensitive information can and shall only be released by the Company Secretary of the Group after approval by the Board.
- 10.3. Both the Listing Requirements, in particular Part 10 thereof and Chapter 6 of the Security Commission Guidelines require the disclosure to the public, information necessary to make informed investment decisions.

## 11. TRADE IN THE GROUP'S PRODUCTS

- 11.1. The Group and its employees will ensure that:
  - *they do not knowingly engage in unlawful trade in their products; and*
  - *their business practices are directed at supporting only the legitimate trade on their products.*
- 11.2. All documents prepared by the Group in connection with sales of its products, whether export or domestic, must be accurate and complete and give a proper view of the transactions. All such documents must be retained according to the Group's Policy for possible inspection by tax, customs or other government authorities.

## 12. MONEY LAUNDERING

- 12.1. Money laundering is the process of concealing the identity of illegally obtained money so that it appears to have come from a lawful source or can be transformed from "dirty" money to "respectable" money or other assets. Most countries impose laws making it a criminal offence to engage in money laundering activity. Generally, such laws will make it an offence for any person or company to engage in transactions involving assets which they know are derived from criminal activity.
- 12.2. The Group and its employees will:
  - *not engage in any transaction which they know or suspect involves the proceeds of criminal activity;*
  - *not otherwise be knowingly involved directly or indirectly in any money laundering activity; and*
  - *pursue practices directed towards ensuring that their activities do not inadvertently contravene any relevant money laundering legislation.*

- 12.3. Money laundering is an offence under the Anti-Money Laundering Act 2001 ("AMLA"). Money laundering is defined under the AMLA to mean the act of a person who:
- *engages, directly or indirectly, in a transaction that involves proceeds of an unlawful activity;*
  - *acquires, receives, possesses, disguises, transfers, converts, exchanges, carries, disposes, uses, removes from or brings into Malaysia proceeds of any unlawful activity; or*
  - *conceals, disguises or impedes the establishment of the true nature, origin, location, movement, disposition, title of, rights with respect to, or ownership of, proceeds of an unlawful activity.*

### **13. SANCTIONS**

- 13.1. Various sanction regimes exist throughout the world, ranging from comprehensive economic and trade sanctions to more specific measures such as arms embargo, travel bans and financial or diplomatic restrictions. Economic and trade sanctions may impact upon the businesses of the Group by restricting the extent to which they can operate within certain jurisdictions.
- 13.2. Employees are expected to be aware of, and fully compliant with, all lawful sanctions regimes that impact upon their companies and businesses to ensure that they do not knowingly:
- *supply their products, or allow their products to be supplied, to any person; or*
  - *purchase products from any person in contravention of any lawful sanction, trade embargo, export control or other trade restriction which is applicable to them.*
- 13.3. Terrorist groups are increasingly using legitimate businesses to generate revenue for their network and activities. In common with many others, companies run the risk of inadvertently breaching anti-financing measures when they deal with such businesses.

As such, the Group and its employees will also:

- *ensure that they do not knowingly assist in the financing of, or otherwise provide the support for, terrorist activity; and*
- *pursue practices to ensure that their activities do not otherwise inadvertently contravene any relevant anti-terrorism measures.*

### **14. SEXUAL HARASSMENT / BEHAVIOR / MISCONDUCT**

#### **14.1. Sexual Harassment**

Sexual Harassment in any form by any director or employee is unacceptable. It is the Group's policy to provide all Employees with a working environment free from any form of sexual harassment. Any questions concerning issues of such should be directed either to the Employees' superior or the Executive Director. All such reports and/or complaints shall be treated with strictest confidence.

#### 14.2. Fair and Courteous Behavior

All employees are to treat their fellow employees and be treated fairly and courteously without regard to race, creed, religion, gender, nationality, age or disability, and shall not create any form of discrimination or prejudice in the workplace.

#### 14.3. Misconduct

No director or employee is to be involved in or abet any activity that is deemed by the Company to be an act of misconduct.

### **15. WHISTLEBLOWING**

Please refer to the Company's Whistleblowing Policy & Guidelines approved by the Board of Directors, effective as at 1 June 2020.

A copy is available on the Company's website.

### **16. CONFIDENTIALITY AND INFORMATION SECURITY**

16.1. It is pertinent that all directors and employees exercise caution and due care to safeguard any information of a confidential and sensitive nature relating to the Group which is acquired in the course of their duties, and are strictly prohibited to disclose to any person(s), unless disclosure is duly authorized or legally mandated.

16.2. In the event that a Director or an Employee knows of material information affecting the Group which has not yet been publicly released, the material information must be held in the strictest confidence by the Director or Employee involved until it is publicly released. Employees must not, during the term of their employment or thereafter disclose to any other person, any confidential information relating to the Group.

16.3. Where dissemination of confidential information relating to the Group for publications or through the media or to consultants is contemplated, such disclosures should only be made with the approval of the Board. Where confidential information is approved to be disclosed to another party, it should only be released under the terms of a written confidentiality agreement or undertaking entered into with the other party. Where the media is involved, approval from the Executive Directors should be obtained, with prior knowledge of the Board of Directors.

### **17. ENTERTAINMENT AND GIFTS**

Please refer to the Company's Anti-Bribery & Anti-Corruption Policy & Guidelines approved by the Board of Directors, effective as at 1 June 2020.

A copy is available on the Company's website.

## **18. PROTECTION OF ASSETS AND MISUSE OF RESOURCES**

- 18.1. Employees have access to assets belonging to the Group on the basis of confidence and trust for use for the furtherance of the interest of the businesses of the Group. These assets may be tangible, for example, equipment, including computer hardware and cash, or they may be intangible, such as intellectual property and computer software. Regardless of condition or value, assets belonging to the Group should not be damaged, misused, taken, sold, lent, given away or otherwise disposed of, or used for personal purposes, except with specific authorization.
- 18.2. Employees should take all necessary steps to prevent theft, loss, damage to, or misuse of assets belonging to the Group, the occurrence of which should be reported immediately to management. Theft or other fraudulent activity by employees is liable to result in immediate dismissal and prosecution after referral to the appropriate authorities.
- 18.3. Limited, occasional or incidental personal use is permitted of certain company equipment and facilities issued to employees for their individual personal use but provided that it is reasonable and does not interfere with the proper performance of their job, does not have an adverse impact on the company's systems and is not for improper or illegal purpose.
- 18.4. Employees shall always show the same respect to the tangible and intangible assets of third parties and must never knowingly damage or misuse such assets belonging to third party.

## **19. ACCURATE ACCOUNTING AND RECORD KEEPING**

- 19.1. An honest, accurate and objective recording and reporting of information, both financial and non-financial is an essential requirement to the Group's credibility and reputation as to ensure the ability of the Group to meet its legal, tax, audit and regulatory obligations and support business decisions and actions made by Group.
- 19.2. All data that employees create, whether financial or non-financial must accurately reflect the transactions and events occurred.
- 19.3. Employees must adhere to all applicable laws, external accounting requirements and Group procedures for reporting financial and other business information.
- 19.4. The Group adopts records management and procedures according to the Group's policies. All employees have an obligation to manage their business records in accordance with the applicable records management policy and procedures.
- 19.5. Employees shall cooperate fully with the Group's internal and external auditors and ensure that all information held which is relevant to the audit of any company in the Group is made readily available to the auditors.
- 19.6. All transactions and contracts must be properly and accurately authorized and recorded as required.

## **20. TRANSFER PRICING LEGISLATION & REGULATORY REQUIREMENT**

20.1. Effective 1 January 2009, taxpayers are required to determine and apply the arm's length price for the acquisition or supply of property or services to an associated person pursuant to Section 140A of the Income Tax Act 1967 ("ITA"). This section empowers the Director General of the Inland Revenue Board ("IRB") to substitute the price in respect of any property or services to reflect the arm's length price for the transaction as well as to disallow a portion of interest and finance charged that relates to financial assistance which is excessive.

20.2. Based on the existing legislation, penalties imposed for incorrect transfer prices can be 100% of the tax undercharged and such assessments can be made six years back.

Pursuant to the Gazette Order P.U. (A) 132 Income Tax (Transfer Pricing) Rules 2012 ("Transfer Pricing Rules") issued on 11 May 2012 and the Malaysian Transfer Pricing Guidelines issued on 24 July 2012 ("IRB Guidelines") which are also effective 1 January 2009, taxpayers are required to prepare contemporaneous transfer pricing documentation for their related party transactions. These rules also set out the transfer pricing methodologies to be applied to assess the arm's length nature of related party transactions and the list of information and documents which should be included in a set of contemporaneous transfer pricing documentation.

20.3. Group employees are expected to be aware of and be fully compliant with the transfer pricing laws on sales and services provided to related companies within the group.

20.4. In the event that there is any doubt as to whether a particular business practice or activity will infringe any transfer pricing law, the matter should be referred to the Executive Director.

## **21. MINIMUM WAGE AND RETIREMENT ACT**

Compliance to the minimum age requirement together with the periodic changes shall be carried out throughout the Group.

## **22. HEALTH & SAFETY**

The Group will use its best endeavors to ensure a safe workplace and maintain proper occupational health and safety practices to commensurate with the nature of the Group's business and activities. Such a commitment in return requires that all Directors and Employees understand and abide by the Group's policies and procedures such as:

- Smoking Prohibition in the production and air condition areas;
- Wearing of Personal Protective Equipment supplied;
- Attend Safety & Health Awareness Trainings organized by the Group;
- Work in a Safe Conscious Manner at all times; and
- Always remember that Safety & Health come first.