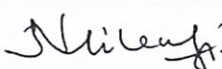





## AYER Holdings Berhad

# Conflict of Interest Policy

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Abbreviations	Definitions
AC	Audit Committee
BOD	Board of Directors
COI	Conflict of Interest
GCEO	Group Chief Executive Officer
HoDept	Head of Department
HoDiv	Head of Division
HoD	Head of Department or Head of Division
IA	Internal Audit

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## 1. OBJECTIVES

1. Conflicts of interest may arise in situations where Personnel engage in businesses or other activities outside the Ayer Holdings Berhad<sup>1</sup> or have personal interests, whether it directly or indirectly benefits themselves or their closely related person(s), i.e. close relatives<sup>2</sup> or close associates<sup>3</sup>, which competes or conflicts with the interests of Ayer Holdings Berhad.
2. Furthermore, a conflict of interest arises in a situation in which an individual is able to take advantage of his or her role in Ayer Holdings Berhad for his or her personal benefit, including the benefit of his/ her family/ household and friends. This would undermine the duties of good faith, fidelity, diligence, and integrity as expected by Ayer Holdings Berhad from its personnel in the performance of their duties and obligations. In addition, it may also attract legal liabilities.
3. Employees should try to avoid any conflict of interest. However, in the event that the conflict is unavoidable, employees must obtain written approval of the Board of Directors ("**BOD**") before undertaking activities which may give rise to a conflict of interest.
4. The Internal Audit Department is responsible for managing all the entire Board of Directors' statutory conflict of interest declarations. Where a Subsidiary has its own Board of Directors, the matter should be reserved for the holdings company BOD. The employees are required to make the statutory declarations. A copy of the statutory declaration is available at [www.ayer.com.my](http://www.ayer.com.my)
5. Business Associates<sup>4</sup> are required to declare any Conflict of Interest, which arises as part of their commercial relationship(s) with Ayer Holdings Berhad.

## 2. DEFINITIONS

1. A conflict of interest may arise where a Personnel might be seen to be influencing Ayer Holdings Berhad matters for actual, potential or perceived personal benefit. Such a conflict may arise in a situation when a director or an employee, is able to influence (directly or indirectly) the Ayer Holdings Berhad's business, or other decisions in ways that could lead to gain for themselves, their family or others.
2. A conflict of interest may relate to a Personnel's own interests or to a connected person, which means family, relatives, close associates, or persons from any business of which the Personnel may hold any direct or indirect interest.
3. An interest can be a financial or non-financial interest:
  - a. **Financial interests** include remuneration (such as salary, wages, commission, consultancy fees, or other form of income) and assets (investments, stocks, bonds, property).
  - b. **Non-financial interests** include enhancement of career, education or reputation, access to privileged information or facilities.

Although many of these interests may not compete with the Personnel's current duties and responsibilities to Ayer Holdings Berhad, however, where a Personnel's obligations to Ayer Holdings Berhad are, or may appear, to be compromised, then a conflict of interest may still occur.

4. For the purpose of this Policy and Procedures, Ayer Holdings Berhad defines conflicts of interest broadly as:

- a. **Actual** Conflicts of Interest (the person faces a real, existing conflict).
  - b. **Potential** Conflicts of Interest (the person is in or could be in a situation that may result in a conflict, but this has not fully materialised); and
  - c. **Perceived** Conflicts of Interest (the person is in or could be in a situation that may appear to be a conflict, even if this is not the case).
5. All three types of Conflict of Interest above are a potential risk to Ayer Holdings Berhad. Therefore, all actual, potential or perceived conflicts that may arise, as a result of a business or personal relationship, should be declared.

### 3. AVOIDING CONFLICTS OF INTEREST

1. Where there exist conflicts of interest, no Personnel should be involved in making decisions on behalf of Ayer Holdings Berhad. If there are any doubts on whether the decision made may conflict with Ayer Holdings Berhad, then the test for bias would be whether an objective and informed observer would have reason to suspect that a conflict of interest may exist.
2. Such considerations apply to a wide range of activities, in which conflicts of interest may arise, including, but not restricted to staff recruitment, staff promotion and remuneration, disciplinary proceedings, appeals, procurement, and assessing proposed relationships between Ayer Holdings Berhad and other third parties.
3. Examples of situations in which conflicts of interest might arise, include:
  - a. where there is actual, potential, or perceived **personal gain** or gain to a close relatives/ close associate.
  - b. where there is actual, potential, or perceived **financial/ non-financial gain** which may be seen to influence action or decision-making.
  - c. where an individual is in a position whether actual, potential, or perceived to, directly or indirectly **enhance their career or the career of others**, with whom they are personally associated.
  - d. where there is actual, potential, or perceived **reputational impact**, for either Ayer Holdings Berhad or the Personnel.

Further examples are listed in **Appendix 1**.
4. Staff recruitment is an activity which requires additional transparency and careful management of interests. **All related interests must be recorded, inclusive of how the conflict of interest was managed.**
5. In relation to external commitments that may create conflicts of interest, Personnel should ensure that they do not enter commitments or engage in activities which are inconsistent with their terms and conditions of employment for staff, or terms of appointment for directors, regarding outside commitments or activities and the permission required to enter such commitments or engage in such activities.
6. In the event of queries or doubts concerning a conflict of interest, Personnel should refer to Ayer Holdings Berhad policies. Alternatively, Personnel may seek advice from HoD and/ or Internal Audit ("**IA**") Department.

### 4. WHEN TO DECLARE CONFLICTS OF INTEREST

1. **Personnel**
  - a. All **Personnel** shall declare their conflicts of interest, whether actual, potential, or perceived conflict:



- i. **during the onboarding process**, i.e. new employment or when **transferred between roles**.
  - ii. **on an annual basis**. For employees, this exercise will be initiated by IA. For directors, they will undertake an annual declaration of their interests and submit their declaration to the Internal Audit Department.  
(Note: For annual declaration, employees are still required to provide their declaration to IA even when there is no conflict).
  - iii. **on ad hoc basis**. That is, immediately or as soon as they become aware of any changes to their current interests.
- b. Whilst it is primarily the duty of a Personnel to declare all interests, others, such as a manager, colleague, or employees of Ayer Holdings Berhad, may also become aware of an actual, potential, or perceived conflict of interest and should request that the Personnel declare their interests so that they can be dealt with appropriately.
  - c. There may be times where Personnel would not necessarily know whether there exists a conflict of interest, and if so, how it should be dealt with. As such, when in doubt, Personnel are advised to always declare the conflict.

## 2. Business Associates

- a. Business Associates are also required to complete a declaration of interests when dealing with Ayer Holdings Berhad. A declaration should be made:
  - i. during the onboarding process as a new Business Associate.
  - ii. during the renewal of the relationship.
  - iii. as soon as they become aware of any changes to their current interests.
  - iv. On an annual basis for long-term contracts and joint ventures.
- b. Declaration should be made to the Internal Audit Department.

## 5. MAKING A DECLARATION

- 1. To declare a conflict of interest:
  - a. **Employees:**
    - i. A declaration can be made to the HoD by completing the Ayer Conflict of Interest Declaration Form ("**COI Declaration Form**"). If necessary, the HoD may consult the relevant party (as specified in the COI Declaration Form) for the proposed action plan on how to mitigate or resolve such conflict. Thereafter, the HoD shall review the proposed action plan, sign off the form (approve), and ensure that the necessary controls are in place.
    - ii. **No employee is allowed to approve their own Conflict of Interest Declaration.** For clarity, where the conflict involves the management, the declaration should be made as follows:
      - All employees to declare to the respective HoDept/Div ("**HoD**").
      - All HoDept/Div (excluding the Head of Internal Audit) to declare to the respective Group Chief Executive Officer ("**GCEO**").
      - The Head of Internal Audit to declare to the Audit Committee Chairman
      - GCEO to declare to the Board of Directors ("**BOD**") Chairman.
    - iii. Once completed, the employee is to forward the COI Declaration Form to IA for record and keep a copy of the form for his/ her own record

and future reference. Thereafter, he/ she is required to lodge the declaration into the Conflict of Interest Register (“**COI Register**”) and attach the COI Declaration Form as supporting document.

- iv. Conflicts of interest relating to recruitment, transfer, or promotion, must be dealt with in accordance with HRA’s policy and procedures. If there are no conflicts of interest, HRA will proceed with the hiring, onboarding, or transfer process and Personnel will be informed of the outcome. Where the conflict of interest falls within the category of high-risk personnel, e.g. recruitment of individuals with connection to political officials or public officials, HRA must notify the Head of Internal Audit of Ayer Holdings Berhad subsequently obtain approval from the GCEO. The outcome of each case shall be recorded accordingly. Please refer to **Conflict of Interest for Employee (Doc Ref No.: AYER/IAD/COI/003)** for the declaration process flowchart for employees.
- b. **Business Associates:**
  - i. A declaration can be made to the IA Department. The concerned section/department will then review the declaration and consult the relevant party as per Group’s internal procedure, for the proposed action plan on how to mitigate, or resolve such conflict. Thereafter, the respective Group Chief Executive Officer (“**GCEO**”), shall review the declaration and sign-off (approve) the form.
  - ii. Once completed, the IA Department and/or the relevant Business Sponsor<sup>5</sup>/ Project Sponsor<sup>5</sup> is to keep a copy of the form for its own record and future reference. Thereafter, they are required to lodge the declaration into the COI Register.
- c. **Committees**
  - i. At the beginning of any committee meeting or meetings where decisions are made, there should be a standing item on the agenda on conflicts of interest. Members of the meeting shall declare any conflict of interest, whether actual, potential, or perceived conflict of interest. The minutes of each meeting should record whether any conflicts of interest were declared.
- d. **Directors:**
  - i. In respect of directors, additional provisions for the management of the BOD (including the BOD Chairman) on actual, potential, or perceived conflicts of interests and conflicts of loyalty should be followed. A conflict of loyalty may occur where a director’s loyalty or duty to another person or organization could prevent them from deciding in the best interests of Ayer Holdings Berhad.
  - ii. Directors should be mindful of the potential for bias in decision-making and, with the Head of Internal Audit, should consider whether there is the possibility of actual or perceived bias in fulfilling their various roles in Ayer Holdings Berhad. The provisions for the Management of Declaration of Interests by Directors are set out in **Appendix C** of this Policy and Procedures.

## 6. ASSESSING AND DEALING WITH CONFLICTS OF INTEREST

1. As stated above, all declared actual, potential, or perceived conflicts of interests should be reviewed and considered by the HoD (or the BOD Chairman, as appropriate). Where the declaration relates to a specific activity, it must be assessed accordingly by the HoD, and the party consulted (relevant department). The HoD should then determine if further action is required based on the recommendation by the consulted party (if any).  
**Personnel should not determine the management of their own declarations.**



2. Several factors may need to be considered when assessing the seriousness of the conflict of interest declared and to avoid any potential for bias. These include but are not limited to:
  - a. the seriousness of the actual, potential, or perceived conflict
  - b. how closely the two interests are related to each other
  - c. the magnitude of the actual, potential, or perceived effect of one on the other
  - d. the nature or significance of the decision or activity being carried out
  - e. the extent to which the individual's other interest could affect or be perceived to affect Ayer Holdings Berhad's decision or activity
  - f. the nature or extent of the individual's current or intended involvement in Ayer Holdings Berhad's decision or activity

## 7. POTENTIAL OUTCOMES

### 1. No Conflict Exist

- a. Where the HoD (or the BOD Chairman) determines that there is no conflict of interest, this should still be formally recorded and lodged in the COI Register. An explanation and any supporting documentation, i.e. COI Declaration Form, should be included as to why it was concluded that no conflict of interest arose.
- b. In the instance that the overlap of two or more interests is so slight that it does not constitute a real conflict of interest, for example, where the connection between the interests is remote or insignificant, then it may be determined that such interests do not represent a conflict.

### 2. Conflict Does Exist

- a. Once a conflict of interest is determined to exist, the HoD (or BOD Chairman) will decide on the appropriate action. These may include, to:
    - i. **Continue:** be permitted to continue with full participation, and no restrictions. However, requires approval. All transactions above RM50,000 in monetary value, involving any COI, shall be subject to approval by the Board. Transaction below RM50,000 in monetary shall be subject to approval by the GCEO and included in the IA report for the AC's attention.
    - ii. **Continue with exemption:** seek a formal exemption to allow participation, i.e. remain in the meeting where the conflict of interest is considered, but not participate in discussions.
    - iii. **Continue with restrictions or additional oversight:** additional oversight or review over their activity in relation to the project or transaction.
    - iv. **Abstain:** for the individual to abstain/ withdraw from any decision-making in relation to the project
    - v. **Reassign:** reassign/ refer the decision, tasks, or duties to others.
    - vi. **Remove/ Withdraw Entirely:** for the Personnel to be removed from any involvement, or to withdraw entirely from the project, where there is a significant or ongoing conflict.
  - b. If the BOD Chairman has a conflict of interest, the BOD should agree for the Deputy Chairman or another appropriate member to act as the BOD Chairman for the relevant conflict/ matter.
  - c. Any COI involving the IA shall be brought to the attention of the AC.
3. Any department may consult the Head of Internal Audit, on any area of concern pertaining to the conflict of interest declaration. A copy of the COI Declaration Form is to be provided to enable assessment to be conducted.
  4. The BOD Chairman may consult the Head of Internal Audit Department for advice.

## 8. CONSEQUENCES FOR NON-DISCLOSURE

1. Failure to disclose a conflict of interest, providing an incomplete or inaccurate disclosure of a conflict of interest, failing to seek approval in an event of a conflict of interest, or failing to appropriately deal with a conflict of interest, may constitute misconduct or a breach of terms and conditions of employment (for employees) and may result in disciplinary action being taken by Ayer Holdings Berhad. For directors, it may result in termination of their appointment.
2. For Business Associate, failure to disclose any conflict of interest may cause the contract or transaction to be terminated and potentially blacklisted from future dealings with Ayer Holdings Berhad.

## 9. POLICY REVIEW

This policy shall be reviewed annually or as needed to reflect regulatory or strategic changes.

## 10. REFERENCE

- Conflict of Interest for Employee (Doc Ref No.: AYER/COMP/COI/001)
- Malaysian Anti-Corruption Commission (Amendment) Act 2018
- Discretionary Authority Limit Chart (Doc. Ref. No.: AYER/CORP/DAL/001)

### Footnote

1. Refers to the Ayer Holdings Berhad's directors and employees.
2. **"Close relatives"** here refers to both biological or non-biological relationships and includes but not limited to your spouse(s), children (including stepchildren and adopted children), parents, stepparents, siblings, stepsiblings, grandparents, grandchildren, in-laws, uncles, aunts, nieces, nephews, and first cousins, as well as other persons who are members of your household.
3. **"Close associates"** includes, but is not limited to, close friends or any person working closely with you, e.g. work colleagues (former or current).
4. For purposes of this Policy and Procedures, the term **"Business Associates"** includes, but is not limited to, suppliers, vendors, contractors, agents, service providers, consultants, advisers, distributors, joint venture, or partners, consortia parties, and any other third party acting for or on behalf of Ayer Holdings Berhad.

**"Business Sponsor"** or **"Project Sponsor"** means the relevant Personnel/ Department in the Company that wants to transact or have an official relationship with the Business Associate



## **Appendix A: Examples of Interests and Potential Conflicts of Interests**

The following examples highlight where roles, activities or relationships should be declared and potential conflicts of interest that may arise.

### **1. Interests**

#### **a) Paid employment**

This includes self-employment, offices held (such as public appointments) or employment where regular income is received and should be declared. Personnel should refer to their employment terms and conditions (including Ayer Holdings Berhad's Employee Handbook and Code of Conduct and Ethics) and ensure the necessary permissions are gained.

#### **b) Directorships**

All paid directorship and unpaid directorship interests should be declared.

#### **c) Relationships**

Personal relationships may give rise to a conflict of interest as they have the possibility to influence decisions made or may be seen to give rise to biased decisions. All personal relationships must be declared as required by Ayer Holdings Berhad's Employee Handbook and Code of Conduct and Ethics.

#### **d) Land or property**

Other than a home used solely for personal accommodation, Directors and employees are requested to declare personal or commercial property which may lead to an association with Ayer Holdings Berhad. This includes leasing or renting to or from Ayer Holdings Berhad, living in Ayer Holdings Berhad buildings or buying or selling property to or from Ayer Holdings Berhad.

#### **e) Shareholdings**

Directors, and employees are requested to declare the name of all public and private companies or other entities in which they or those close to them have a substantial interest (direct or indirect), i.e. 5% or more of the issued share capital in other companies, entities and/ or businesses which has business dealings with Ayer Holdings Berhad, including its subsidiaries. Shareholdings amounting to less than 5% of the issued share capital, do not need to be declared.

#### **f) Others**

Interests that do not fall into the above categories but may give rise to a conflict of interest. For example, unremunerated interests, positions of authority held or other significant involvement in other organizations, e.g. charitable, or political or other educational bodies. It is particularly important for members of the governing body and senior management involved in procurement to disclose interests they have in, or with, any organization from whom Ayer Holdings Berhad procures goods or services. Where the interest is of relevance to the business of the BOD or one of its committees, the declaration shall be made as soon as practicable either at the meeting or in advance to the BOD Chairman or Company Secretary.



## **2. Potential Conflicts of Interests**

### **a) Research Projects and Commercial Entities**

Where a research project is expected to generate data/ findings that have commercial value, and if such commercial value is realized, the Personnel stands, or may stand to profit personally through involvement in an associated company or partnership.

### **b) Personal Relationships**

- i) Ayer Holdings Berhad discourages any closely related relationship<sup>1</sup> between employees where:
  - there is a direct supervisory relationship in existence (e.g. employee and supervisor).
  - an employee has direct or indirect responsibility for, or involvement in, the other employee's work (for example procurement).
- ii) Such relationships should be reported immediately in accordance with the procedure set out in the Ayer Holdings Berhad's Employee Handbook so that appropriate safeguards are put in place. This may include changing the supervisory relationship, or if necessary, remove any involvement in the employee's work or welfare.

### **c) Staff: Recruitment, Allocation of Duties or Promotion**

No Personnel should be involved in decisions relating to the recruitment or assessment, allocation of duties or promotion of another Personnel with whom they have a personal relationship. All employees must declare their relationship with another person of interest, either during their own job application or immediately once such knowledge is availed to them, as guided by Ayer Holdings Berhad's Employee Handbook.

### **d) Gifts, Hospitality or Entertainment**

Even if it may appear disrespectful to refuse a gift from an external party, nevertheless, if there is a conflict of interest situation (e.g. during sensitive period such as a tender or bidding process, where the gift is personal in nature, given by one of the bidders), then clearly such gifts cannot be approved. In this situation, the gift must be politely returned with a note of explanation about Ayer Holdings Berhad's "No Gift Policy". The same goes for accepting Hospitality and Entertainment.

For more information, please refer to Ayer Holdings Berhad's No Gift Policy and Procedures, and Hospitality and Entertainment Policy and Procedures.

### **e) Procurement**

- i) No Personnel should be involved in the decision-making process for procurement of goods or services where they have a relationship with or connection to one of the parties involved.
- ii) No Personnel should accept gifts, hospitality or entertainment offered by any party involved in the procurement process (especially during tenders or contract negotiations), other than the modest refreshments during meetings.

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<sup>1</sup> Closely related relationship has the same meaning with closely related person(s). Please refer to Section 1.1 of this Policy and Procedure for the explanation on closely related person(s).

## **Appendix B : Management of Declaration of Interests by Directors**

In respect of directors, the following provisions will apply:

### **1. Declaration Of Interests and Other Information Requirements**

- a) Directors must declare any Conflict of Interest in accordance with the Ayer's procedure, which includes reviewing and updating their conflict of interest record regularly.
- b) Directors should declare any interests relevant to the agenda items at the start of a meeting and/ or during discussion (including where there is potential for a perceived conflict of interest). Where there is a conflict of interest, the said director will not participate in the consideration of the relevant item and shall withdraw from the discussion (recuse/ abstain) thereon and shall not vote on the resolution in respect of the relevant item. If necessary, the BOD Chairman will determine whether there is a conflict of interest.
- c) Directors must also provide any other information that Ayer Holdings Berhad requires to fulfil its regulatory requirements.
- d) Failure to declare an interest, or to provide full and complete information, will be referred by the Head of Internal Auditor to the Chairman/ BOD (as the case may be) and further action will be determined based on the seriousness of the matter.

### **2. Reviewing Declarations of Interest by Directors**

The Head of Internal Audit will review all declared interests to determine:

- a) whether there is a conflict of interest as determined by the Group policy.
- b) if there is a conflict of interest, whether this can be dealt with to allow the director in question to participate in the business of the BOD or whether the matter should be referred for further consideration.

### **3. Dealing with Declared Conflicts of Interest by Directors**

- a) Having recorded the declared interest, the Head of Internal Audit or his/ her designated representative, will review the declaration and propose the course of action to take to mitigate the conflict. The Company Secretary, or his/ her designated representative, will then provide their recommendation to the BOD Chairman, for his approval.
- b) In proposing the course of action to take to mitigate such conflict, the Company Secretary, or his/ her designated representative:
  - i) must ensure their proposal is in the best interest of Ayer Holdings Berhad and independently of any competing interest.
  - ii) must always protect Ayer Holdings Berhad's reputation and be aware of the impression that their proposed actions may have on those outside Ayer Holdings Berhad.
  - iii) may require the withdrawal of the affected director from participation in any decisions where the other interest may result in a high risk, or controversial decision, or could significantly affect, or could be seen to significantly affect, the director's decision-making at Ayer Holdings Berhad.



- iv) must be aware that the presence of a conflicted director can affect the trust with the other directors, could impede free discussion and might influence decision- making in some way.
- c) A report will be made to the BOD on any conflict of interest matters that arise and to confirm the decisions of the BOD Chairman, based on the recommendation of the Head of Internal Audit.
- d) Where conflicts of interest are declared at a meeting, the committee concerned will follow the policy to consider how the member may proceed.
- e) The Head of Internal Audit or her/his designated representative, can request a director to provide any information necessary to help in deciding in the best interests of Ayer Holdings Berhad, may consider approaching that third party organization for relevant information on the conflict of interest.

#### **4. Managing Declared Conflicts of Interest and Confidential Information**

- a) Generally, directors must not use information obtained at, or disclosed by, Ayer Holdings Berhad for their own benefit, or that of another organization, if it has been obtained or disclosed in confidence, or has the quality of confidence about it, such as commercial or company price-sensitivity.
- b) If it is determined that the conflict of interest can be dealt with in a proper and lawful manner, then the BOD must be satisfied that the affected director understands and will abide by Ayer Holdings Berhad's rules on confidentiality in that they cannot use such information which has been obtained in confidence.