



SOUTH MALAYSIA INDUSTRIES BERHAD

Registration No. 196901000152 (8482-D)

DIRECTORS' FIT AND PROPER POLICY

(Approved by BOD on 30 May 2022)

1.0 RESPONSIBILITY

In application to this Guideline, the Board (SMI) and Nomination Committee are primarily responsible for ensuring that the directors of SMI and the directors of the subsidiary companies fulfil fit and proper requirements and for conducting assessments of the fitness and propriety of the directors.

The Board is committed to ensuring that the director has the appropriate skill and experience commensurate with the role that they hold, and will make all final determinations on the fitness and propriety of responsible persons.

1.2 Nomination Committee (“NC”) Responsibility

The NC (with the assistance of the Company Secretary where appropriate) is responsible for the assessment of existing directors (for re-election) or candidates for nomination or appointment as a director of the Company, and making recommendations to the Board on these matters.

1.3 Company Secretarial Responsibility

The Company Secretary is responsible for applying this Guideline. The Company Secretary is responsible for:

- a) Ensuring that appropriate fit and proper assessments are carried out for each responsible person;
- b) Making submissions about any matters that are relevant to a particular assessment of a responsible person’s fitness and propriety;
- c) Providing information to the NC on matters concerning the procedure for fit and proper assessments; and
- d) Ensuring that the Company takes all reasonable steps to protect the information and documents collected for fit and proper assessments from misuse, unauthorized access, modifications or disclosure.

2.0 FIT AND PROPER CRITERIA

For the purpose of establishing whether a person is fit and proper to hold a director position, the Company shall have regard to the person’s:

- (i) **Probity, personal integrity and reputation** - person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
- (ii) **Competence and capability** - person must have the necessary skills, experience, ability and commitment to carry out the role.
- (iii) **Financial integrity** - person must manage his debts or financial affairs prudently. The assessment of the above criteria shall have regard to the considerations set out below in paragraph 2.1 to 2.3 of this Guideline.

2.1 **Probity, Personal Integrity and Reputation**

In assessing a person's level of probity, integrity and reputation to hold a position of a director, the NC of SMI should consider matters including, but not limited to the following:

- (i) whether the person is or has been the subject of any proceedings of a disciplinary or criminal nature, or has been notified of any impending proceedings or of any investigations, which might lead to such proceedings;
- (ii) whether the person has contravened any provision made by or under any written law designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice;
- (iii) whether the person has contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies;
- (iv) whether the person, or any business in which he has a controlling interest or exercises significant influence, has been investigated, disciplined, suspended or reprimanded by a regulatory or professional body, a court or tribunal, whether publicly or privately;
- (v) whether the person has been engaged in any business practices which are deceitful, oppressive or otherwise improper (whether unlawful or not), or which otherwise reflect discredit on his professional conduct;
- (vi) whether the person has been dismissed, asked to resign or has resigned from employment or from a position of trust, fiduciary appointment or similar position because of questions about his honesty and integrity;
- (vii) whether the person has been associated, in ownership or management capacity, with a company, partnership or other business association that has been refused registration, authorisation, membership or a licence to conduct any trade, business or profession, or has had that registration, authorisation, membership or licence revoked, withdrawn or terminated;
- (viii) whether the person has held a position of responsibility in the management of a business that has gone into receivership, insolvency, or involuntary liquidation while the person was connected with that business;
- (ix) whether the person has been a director of, or directly concerned in the management of, any corporation which is being or has been wound up by a court or other authority competent to do so within or outside Malaysia, or of any licensed institution, the licence of which has been revoked under any written law;
- (x) whether, in the past, the person has acted unfairly or dishonestly in his dealings with his customers, employer, auditors and regulatory authorities;
- (xi) whether the person has at any time shown a strong objection or lack of willingness to cooperate with regulatory authorities and failure to comply with

- legal, regulatory and professional requirements and standards, including compliance with tax requirements and obligations;
- (xii) whether a person has contributed significantly to the failure of an organisation or a business unit;
 - (xiii) whether the person has at any time shown strong objection or a lack of willingness to maintain effective internal control systems and risk management practices; and
 - (xiv) whether the person is free from any business or other relationship which could materially pose a conflict of interest or interfere with the exercise of his judgement when acting in the capacity of a key responsible person which would be disadvantageous to the SMI or SMI's interest.

2.2 Competence and Capability

Competence and capability are demonstrated by a person who possesses the relevant competence, experience and ability to understand the technical requirements of the business, the inherent risks and the management process required to perform his role as a director in the relevant capacity effectively.

In assessing a person's competence and capability, the NC of SMI should consider matters including, but not limited to the following:

- (i) whether the person has the appropriate qualification, training, skills, practical experience and commitment to effectively fulfil the role and responsibilities of the position and in the case of directors, having regard to their other commitments; and
- (ii) whether the person has satisfactory past performance or expertise in the nature of the business being conducted.

2.3 Financial Integrity

Financial integrity is demonstrated by a person who manages his own financial affairs properly and prudently.

In assessing a person's financial integrity, the NC must consider all relevant factors, including but not limited to the following:

- (i) whether the person has been and will be able to fulfil his financial obligations, whether in Malaysia or elsewhere, as and when they fall due; and
- (ii) whether the person has been the subject of a judgement debt which is unsatisfied, either in whole or in part, whether in Malaysia or elsewhere.

The fact that a person may be of limited financial means does not in itself, affect the person's ability to satisfy the financial integrity criteria.