



KNM GROUP BERHAD
(Reg. No.: 200001018741(521348-H))
(Incorporated in Malaysia)

**FIT AND PROPER POLICY
FOR DIRECTORS, CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER**

1. PURPOSE

The Companies Act 2016 (“CA 2016”) has set certain expectations on the directors to be appointed to the Board of Directors of a company with explicit details furnished in Subdivision 3 – Directors’ Duties and Responsibilities.

Section 213 of CA 2016 stipulates that :

- (1) A director of a company shall at all times exercise his powers in accordance with the CA 2016 for a proper purpose and in good faith in the best interest of the company.
- (2) A director of a company shall exercise reasonable care, skill and diligence with –
 - (a) The knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and
 - (b) Any additional knowledge, skill and experience which the director in fact has.
- (3) A director who contravenes this section commits an offence and shall, on conviction, be liable to imprisonment for a term not exceeding 5 years or to a fine not exceeding RM3.0million or both.

Bursa Malaysia had issued on 19 January 2022 some amendments to the Main Market Listing Requirements in relation to Director Appointment and their independence which required the listed issuer and its subsidiaries to have a **fit and proper policy for the appointment and re-election of directors** which will aid the listed issuer to comply with Paragraph 2.20A which stipulates that every listed issuer must ensure that each of its **directors, chief executive or chief financial officer** has the :

- character,
- experience,
- integrity,
- competence and
- time to effectively discharge his role as a director, chief executive or chief financial officer as the case may be.

Based on the above laws, the purpose of this Policy is to set out the expectations on the suitability of the directors and key persons (the definition of which are given in Paragraph 3.1 below) which are an extension of the corporate governance framework and is aimed at ensuring that these persons have the integrity and competence required to perform their roles.

2. SCOPE

This Policy applies to all Directors, Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) of the Company and any other key senior management that the Board of Directors deems fit.

3. RESPONSIBILITY

3.1 Board of Directors (“Board”) and Nomination Committee (“NC”) of KNM Group Berhad (“KNM” or “the Company”)

- 3.1.1 The Company’s Board and the NC with the assistance of the Company Secretary (“CS”) is primarily responsible for ensuring that the Board of Directors, the CEO and CFO (the CEO and CFO shall be collectively referred to as the “Key Persons”) fulfil the fit and proper requirements.
- 3.1.2 The fit and proper assessments on each person shall be conducted both prior to initial appointments and at regular intervals of at least annually or whenever the Company becomes aware of information that may materially compromise the Directors and Key Persons’ fitness and propriety to ensure that the Directors and Key Persons fulfil the fit and proper criteria at all times.
- 3.1.3 The Board and NC with the assistance of the CS is responsible for overseeing that the assessment of existing Directors or candidates for nomination or appointment as a Director of the Company or re-appointment of existing Directors is conducted prior to making its recommendation to the Board.
- 3.1.4 The Board and NC with the assistance of the CS is required to periodically review the policies and procedures to ensure their relevance and alignment with the organisational needs and structure as well as material changes in the business, risk profile and strategies of Company.
- 3.1.5 For the CEO and CFO, the Board and NC may delegate the authority of appointing new key personnel for these positions to the Chairman. The Chairman shall consult the HRD with regards to the fit and proper assessments of candidates as necessary prior to deciding on any new appointments of the CEO, GCG and CFO for the Company.

3.2 Company Secretary

- 3.2.1 CS is responsible for the following:-
 - (i) to ensure that the appropriate fit and proper assessments are carried out for Directors and the CEO and CFO;
 - (ii) to ensure the candidates for Directors and CEO and CFO complete and submit the ‘Self Declaration’ on Fit and Proper Criteria;
 - (iii) to ensure that the fit and proper assessments are supported by relevant information as specified in the Checklist;
 - (iv) to take reasonable steps within permissible written laws to verify the information obtained from the person being assessed where such information is material to the determination of the person’s fitness and propriety against independent sources;

- (v) to ensure that a regular review on the Directors is conducted;
- (vi) to conduct basic credit check (“Credit Check”) and background screening by checking with or doing the following:
 - (a) Credit Tip-Off Sdn Bhd (“CTOS”)
 - (b) Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (“AMLA”) covering :
 1. Bank Negara Malaysia website
 2. UN Security Council resolution 1267 list
 3. United States Dept. of the Treasure Specially Designated Nationals
 4. Ministry of Home Affairs website
 - (c) Other credit checks will be as follows:
 1. Insolvency Dept for bankruptcy (no consent required)
 2. E-Konsular for Certificate of Good Conduct – applicant need to apply online.
- (vii) To ensure that matters related to this Policy are brought to the attention of the Board and NC; and
- (viii) to ensure that all reasonable steps are taken to protect the information and documents collected for fit and proper assessments from misuse, unauthorised access, modification or disclosure.

3.3 Human Resources Department

3.3.1 The HRD is responsible for the following:

- (i) to ensure that appropriate fit and proper assessments are carried out for the Key Persons;
- (ii) to ensure the candidates for the Key Persons complete and submit the ‘Self Declaration’ on Fit and Proper Criteria;
- (iii) to ensure that the fit and proper assessments are supported by relevant information in relation to the Key Persons such as Personal Declaration;
- (iv) to take reasonable steps within permissible written laws to verify the information obtained from the person being assessed where such information is material to the determination of the person’s fitness and propriety against independent sources;
- (v) to ensure that a regular review on the Key Persons is conducted;
- (vi) to conduct basic credit check (“Credit Check”) and background screening by checking with or doing the following:
 - (a) Credit Tip-Off Sdn Bhd (“CTOS”)
 - (b) Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (“AMLA”) covering :
 1. Bank Negara Malaysia website
 2. UN Security Council resolution 1267 list
 3. United States Dept. of the Treasure Specially Designated Nationals
 4. Ministry of Home Affairs website

(c) Other credit checks will be as follows:

1. Insolvency Dept for bankruptcy (no consent required)
2. E-Konsular for Certificate of Good Conduct – applicant need to apply online.

(vii) to ensure that all reasonable steps are taken to protect the information and documents collected for fit and proper assessments from misuse, unauthorised access, modification or disclosure;

(viii) when required, the Human Resource Department shall assist the Chairman in the process of appointing new key personnel and / or members for the position of the Key Persons.

(ix) to provide regular training on ethical business conducts.

4. FACTORS/CRITERIA TO DETERMINE IF A PERSON IS FIT AND PROPER

4.1 The factors/criteria for assessment of Key Persons

4.1.1 A person must not be disqualified pursuant to Sections 198 and 199 of the CA and must satisfy the following criteria to be considered fit and proper to hold a Director/Key Person position:

(i) Probity, personal integrity and reputation – Person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.

(ii) Competence and capability – Person must possess the relevant knowledge, experience, ability to understand the technical requirement of the business, the inherent risks and the management process required to perform his/her role in a key function in the relevant capacity effectively.

(iii) Financial integrity – Person must manage his own financial affairs properly and prudently.

4.1.2 In determining whether a person meets requirements in 4.1.1(i), (ii) and (iii) above, the factors should be assessed individually (according to their relative importance) as well as on cumulative basis.

4.1.3 Consideration must be given to each of these factors, along with the circumstances surrounding them, including the lapse of time since the occurrence of events and the significance of the event from the perspective of potential risks posed to the Company.

4.1.4 Considerations relevant to the assessment of the fitness and propriety of Director/Key Persons may vary depending on the degree of their influence and responsibilities in the affairs of the Company. For example, the NC should consider whether there have been material changes in the nature or scope of the responsibilities assumed by an individual which would call for higher standards of competence or judgment in order to properly perform the duties associated with the said position, or which may give rise to new conflicts that could impair the individual's performance in the position. Similarly, circumstances which warrant an individual to be considered as fit and proper may differ from one position to another

4.1.5 If a person is found to be unfit to hold the post of a key personnel and / or member of senior management due to negative background screening findings (due to bankruptcy, AMLA issues or any other issue deemed significant by the Company), that person may make an appeal against the findings and provide full documentary evidence in support of his or her appeal.

5. PROCESS FOR FIT AND PROPER ASSESSMENT

5.1 Prior to Appointment

- 5.1.1 In assessing whether a person meets the fit and proper requirements prior to his/her appointment, the CS (for Directors and CEO) NC (for other Key Persons) are required to ensure that the Directors/Key Persons complete **the Self Declaration of Fit and Proper Criteria and sign off the Consent for Disclosure of Credit Information.**
- 5.1.2 Upon completion and declaration by Directors/Key Persons on the prescribed form, the CS will conduct Credit Check and with the other authorities as required under the AMLA in accordance with paragraph 3.2 and 3.3.
- 5.1.3 The assessment encompassing the declaration, Credit Check and the other checks pursuant to AMLA must be completed and the documentation must be transparent to facilitate the inspection team from designated competent authorities to understand the basis for the decision. The completed documents should accompany the request for approval for appointment.
- 5.1.4 For the proposed appointment of Directors and CEO, the CS will submit the proposed appointment to the NC for its recommendations to the Board for approval. For other Key Persons, the NC will submit the proposals to the Chairman for its recommendation to the Board for approval.

5.2 After Appointment

5.2.1 Annual Assessment

- (i) On an annual basis, the CS must conduct an assessment of the Directors and Key Persons and document its findings/results on each of them addressing the following:-
- (a) whether the person has at any time failed to comply with the requirements under this Policy;
 - (b) any convictions; and
 - (c) any conflict of interest.
- (ii) Upon completion of the annual review, a report on exception findings, if any, and proposals resulting therefrom shall be presented to the NC and the Board for deliberation.

5.3 Adverse findings on assessment

- 5.3.1 If any one of the Director/Key Persons has been assessed as fit and proper; and the Company subsequently becomes aware of information that may result in the person being assessed as not fit and proper, the person must not continue to hold the directorship or that Key Person position.
- 5.3.2 Any significant adverse developments detected must be brought to the attention of the NC within fourteen (14) days from the date of detection and thereafter the Board should be notified of such adverse findings.

- 5.3.3 Where the NC has assessed and if the Board agrees that a Director/Key Person is not fit and proper, then the Board may take such action as deem appropriate, which may include:-
- (i) If a contract of employment or appointment applies, dealing with that person in accordance with that contract, which, in appropriate circumstances, may include termination of employment or appointment;
 - (ii) Take necessary measures to mitigate risks associated with the person continuing to hold the position; and
 - (iii) Removing that person from the Director/Key Person position, if he/she is no longer fit and proper for a position, with no entitlement to claim any compensation for such removal.

5.4 Re-appointment

- 5.4.1 The same assessment criteria for the appointment of Directors and the Key Persons shall be applicable for re-appointment.

6. REPORTING AND MONITORING REQUIREMENTS

- 6.1 This Policy will be jointly monitored as to its application principally by the CS.
- 6.2 The NC and the Board should be kept updated of the fit and proper assessments for each Director/Key Person through the summary which will be prepared and tabled by CS for the Directors, CEO and other Key Persons at least annually.
- 6.3 If any person within the Company becomes aware of any information which may be relevant for the fit and proper assessment concerning the Director/Key Person, immediate escalation to the CS and the Board is required.

7. TRAINING

- 7.1 The Company, on an on-going basis, is to ensure relevant professional training is available (internal or external) to the Directors/Key Persons, to enable them to constantly meet the fitness requirements of their roles. Nomination for such training to be perused as per the applicable training nomination procedure accordingly.
- 7.2 Similarly, the HRD will provide regular training on ethical business behaviours such as anti-fraud and anti-corruptions topics, providing employees with clear rules for proper behaviours, both for themselves and their reporting staff either via internal, external or online training mechanism.

8. DATA PRIVACY

- 8.1 The Company shall safeguard the confidentiality of the information collected and assessments made.
- 8.2 Any personal information collected (including sensitive information) for the purposes of conducting a fit and proper assessment will be disclosed to the competent authority and on a need to know basis as required under this Policy.

- 8.3 In carrying out a fit and proper assessment, personal information (including sensitive information) about an applicant or personnel may be collected by CS. If personal information (including sensitive information) is collected, it will be used solely to:
- (i) assess a person's fitness and propriety;
 - (ii) comply with legislative and regulatory requirements; and
 - (iii) perform administrative functions including risk management.

9. DOCUMENT RETENTION

9.1 CS must ensure that:-

- (i) documentation relating to the assessment for each Director and Key Person should be retained for at least seven years after the final date of service.
- (ii) the documentation gathered for an unsuccessful applicant relating to assessment conducted as a component of the recruitment process shall not be kept beyond the necessary retention period.
- (iii) it shall be the duty of the CS to take all reasonable steps to ensure all personal data is destroyed or permanently deleted if no longer required for the purpose it was first processed.

9.2 The CS must ensure that the following are maintained and made readily available for inspection by any authorities upon request:

- (i) a list of the Directors and Key Persons within the Company; and
- (ii) full documentation of all assessments for each Director and Key Person carried out pursuant to this Policy.

9.3 CS and HRC are responsible to ensure that this Policy is updated from time to time.

10. APPENDIXES

10.1 **Appendix 1 – Flowchart**

Flowchart for Fit and Proper requirements for Directors/CEO/Key Persons

