

Fit and Proper Policy

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HLFG Group Fit and Proper Policy

	Reference in the Relevant Legislation						
1. PURPOSE							
<p>To serve as a guiding mechanism and framework for the NC on the process for new appointments and re-appointments of Chairman, Director and CEO, Board Committees' appointments and the annual fit and proper ("F&P") assessment thereof.</p>							
2. SCOPE							
<p>Overview of the scope of application:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%; text-align: center;">Hong Leong Financial Group Berhad ("HLFG")</th> <th style="width: 10%;"></th> <th style="width: 60%; text-align: center;">Subsidiaries of HLFG</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Fully applicable at HLFG entity level</td> <td></td> <td style="text-align: center;"> Principles aligned <ul style="list-style-type: none"> Each subsidiary should have its own F&P policy. While it is not expected to be identical to this Policy, the principles should be aligned and be consistent with this Policy. Also each subsidiary is ultimately responsible to manage its own F&P assessment in line with the guidance from this Policy. </td> </tr> </tbody> </table>	Hong Leong Financial Group Berhad (" HLFG ")		Subsidiaries of HLFG	Fully applicable at HLFG entity level		Principles aligned <ul style="list-style-type: none"> Each subsidiary should have its own F&P policy. While it is not expected to be identical to this Policy, the principles should be aligned and be consistent with this Policy. Also each subsidiary is ultimately responsible to manage its own F&P assessment in line with the guidance from this Policy. 	
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3. POLICY STATEMENT							
<p>(i) The Company is required to ensure that the Chairman, Director and CEO of the Company have the integrity and competence required to perform their roles, and remain fit and proper to assume their responsibilities in accordance with the provisions of Sections 55(1) and 60 of the FSA 2013 and the requirements as contained in the BNM Guidelines.</p> <p>(ii) Pursuant to the BNM Guidelines, the NC is responsible, inter alia:</p> <p>(a) for new appointments of Chairman, Director and CEO – assessing and, if deemed fit, recommending for Board approval the candidates for such positions ("Candidate(s)") ("New Appointments");</p> <p>(b) for re-appointments of Chairman, Director and CEO – assessing and, if deemed fit, recommending for Board approval re-appointments for such positions ("Re-Appointments");</p> <p>(c) for appointments to Board Committees – assessing and, if deemed fit, recommending for Board approval the appointment of Directors to Board Committees ("Board Committees Appointments");</p> <p>(d) for annual F&P assessment of Chairman, Director and CEO – assessment per the Assessment Criteria and BNM Guidelines for such positions ("Annual F&P Assessment").</p>	<p>BNM F&P Policy Paragraph 1.3</p> <p>BNM CG Policy Appendix 1</p> <p>BNM F&P Policy Paragraph 8.1</p>						

	Reference in the Relevant Legislation
(iii) This Policy sets out the assessment criteria and guidelines for new appointments and re-appointments of Chairman, Director and CEO, Board Committees' appointments and the Annual F&P Assessment thereof.	
4. PRINCIPLES	
<p>4.1 Assessment Process</p> <p>(A) New Appointments</p> <p>(a) The nomination, assessment and approval process for New Appointments shall be as follows:</p> <div data-bbox="316 815 1283 1160" data-label="Diagram"> <pre> graph LR A[Identification of Candidates] --> B[Meeting with Candidates] B --> C["• Assessment against Assessment Criteria and BNM Guidelines • F&P Declaration by Candidates • Relevant Credit Bureau Checks • CTOS (Bankruptcy) search. • Independent Background Checks • Recommendation by the NC"] C --> D[Deliberation by the Board and decision thereof] </pre> </div> <p>(b) Assessment Criteria and Guidelines</p> <p>The Candidates will be assessed based on the following Assessment Criteria and BNM Guidelines:</p> <p>(i) how the Candidate will be a strategic and effective fit for the Board and contribute to the overall desired composition and required mix of expertise/experience to enhance the Board's overall effectiveness.</p> <p>The NC shall, inter alia, consider the attributes, qualifications, management, leadership and business experience, which ought to be at the most senior levels.</p> <p>In respect of skills, expertise and background, the Candidate should ideally complement the mix of core competencies of the Board as a whole including but not limited to business, legal and financial expertise, professional knowledge, information technology and financial industry experience.</p> <p>(ii) in the case of CEO, the Candidate's knowledge and experience in the industry, market and segment and how this will bear on the performance of his/her duties;</p> <p>(iii) the Candidate shall complete the F&P Declaration in respect of his probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM</p>	

	Reference in the Relevant Legislation
<p>Guidelines. The Company shall conduct independent background checks on the areas as set out in Appendix 1 (“Independent Background Checks”), to verify the information disclosed in the F&P Declaration;</p> <p>(iv) the Candidate is required to ensure that the financial obligation information reported in the BNM application form is accurate with cross reference made to his/her individual CCRIS report accordingly;</p> <p>(v) the Candidate will be briefed on expectations on his role including his time commitment, the F&P assessments to be conducted and general and specific contributions expected; and</p> <p>(vi) whether the Candidate is required to attend appropriate training to strengthen any specific area of market knowledge/experience so as to close the gaps identified to be lacking.</p> <p>(B) Re-Appointments</p> <p>(a) The assessment and approval process for Re-Appointments shall be as follows:</p> <div data-bbox="320 987 1129 1205" data-label="Diagram"> <pre> graph LR A["• Assessment against Assessment Criteria and BNM Guidelines • F&P Declaration • Relevant Credit Bureau Checks • CTOS (Bankruptcy search) • Independent Background Checks • Recommendation by the NC"] --> B["Deliberation by the Board and decision thereof"] </pre> </div> <p>(b) Assessment Criteria and Guidelines</p> <p>(i) For Re-Appointments, the Chairman, Director and CEO will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, commitment and for independent directors, their independence.</p> <p>(ii) In addition, the NC shall, inter alia, consider the attributes, qualifications, management, leadership and business experience, which ought to be at the most senior levels.</p> <p>(iii) In respect of skills, expertise and background, he should ideally complement the mix of core competencies of the Board as a whole including but not limited to business, legal and financial expertise, professional knowledge, information technology and financial industry experience.</p> <p>(iv) The NC shall also consider the Annual Board Assessment results of the Chairman, Director and CEO, the contribution during the term of office and the attendance of Board meetings, which pursuant to the BNM Guidelines, must be at least 75% of the board meetings held in the financial year.</p> <p>(v) Chairman, Director and CEO shall complete the F&P Declaration in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the</p>	

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<p>relevant BNM Guidelines for submission to BNM for Re-Appointment. The Company shall conduct Independent Background Checks to verify the information disclosed in the F&P Declaration.</p> <p>(vi) Chairman, Director and CEO are required to ensure the financial obligation information reported in the BNM application form is accurate with cross reference made to their individual CCRIS report accordingly.</p> <p>(C) Board Committee Appointments</p> <p>(a) The nomination, assessment and approval process for Board Committees Appointments shall be as follows:</p> <div data-bbox="316 734 1305 869" data-label="Diagram"> <pre> graph LR A[Identification of Directors for Board Committees membership] --> B[Assessment against Assessment Criteria and BNM Guidelines • Recommendation by the NC] B --> C[Deliberation by the Board and decision thereof] </pre> </div> <p>(b) Assessment Criteria and Guidelines</p> <p>The assessment for Board Committees Appointments will be based on the Directors’ potential contributions and value-add to the Board Committees with regards to Board Committees’ roles and responsibilities.</p> <p>(D) Annual F&P Assessment</p> <p>(a) The Annual F&P Assessment process shall be as follows:</p> <div data-bbox="316 1256 1265 1496" data-label="Diagram"> <pre> graph LR A["• Directors/CEO to complete: - the Board Annual Assessment Form - the F&P Declaration • The Company to conduct Independent Background Checks"] --> B["• Assessment against Assessment Criteria and BNM Guidelines • Recommendation by the NC"] B --> C[Deliberation by the Board and decision thereof] </pre> </div> <p>The NC will carry out the Annual F&P Assessment in conjunction with the Board Annual Assessment of the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board’s various committees and the performance of the CEO (“Board Annual Assessment”).</p> <p>For newly appointed Chairman, Director and CEO, the Annual F&P Assessment and Board Annual Assessment will be conducted at the next annual assessment exercise following the completion of one year service.</p> <p>Chairman, Director and CEO shall complete the F&P Declaration in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines annually. The Company shall conduct Independent Background Checks to verify the information disclosed in the F&P Declaration.</p>	

	Reference in the Relevant Legislation
<p>(b) Assessment Criteria and Guidelines</p> <p>Assessment Criteria and Guidelines will be as set out in the Annual Assessment Forms.</p> <p>4.2 BNM Submission</p> <p>Upon the approval of the Board, an application on the prescribed forms shall be submitted to BNM for approval in respect of the New Appointments or the Re-Appointments, as the case may be.</p> <p>4.3 Statutory Requirements</p> <p>In the assessment of New Appointments or Re-Appointments, as the case may be, the NC shall inter alia be guided by the provisions of the FSA 2013, BNM CG Policy, BNM F&P Policy, the CA 2016, the MMLR and the Capital Markets and Services Act 2007, where applicable, and any amendments made thereto from time to time as well as applicable new legislations and guidelines introduced from time to time (collectively referred to as the “Statutory Requirements”).</p> <p>4.4 Criteria of Independent Directors</p> <p>(1) The MMLR states that an independent director is a director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the company. Without limiting the generality of the foregoing, an independent director is one who:</p> <p>(a) is not an executive director of the company or any related corporation of such company (each corporation is referred to as “Corporation”);</p> <p>(b) has not been within the last 2 years and is not an officer (except as a non-executive director) of the Corporation. For this purpose, “officer” has the meaning given in Section 2 of the CA 2016;</p> <p>(c) is not a major shareholder of the Corporation. For this purpose, “major shareholder” has the meaning given in the MMLR;</p> <p>(d) is not a family member of any executive director, officer or major shareholder of the Corporation. For this purpose, “officer” has the meaning given in the MMLR;</p> <p>(e) is not acting as a nominee or representative of any executive director or major shareholder of the Corporation;</p> <p>(f) (i) has not personally provided professional advisory services to the Corporation within the last 2 years; or</p>	<p>BNM CG Policy Appendix 3</p> <p>MMLR Paragraph 1.01</p>

	Reference in the Relevant Legislation
<p>(ii) is presently not a partner, director (except as an independent director) or major shareholder, of a firm or corporation (“Entity”) which has provided professional advisory services to the Corporation within the last 2 years,</p> <p>and the consideration in aggregate is not more than 5% of the gross revenue on a consolidated basis (where applicable) of the said director or the Entity or RM1 million, whichever is the higher (“Consideration Threshold”); and</p> <p>(g) (i) has not engaged personally in transactions with the Corporation (other than for board service as a non-executive director) within the last 2 years; or</p> <p>(ii) is not presently a partner, director or a major shareholder, of an Entity (other than subsidiaries of the company) which has engaged in transactions with the Corporation within the last 2 years, and the consideration in aggregate does not exceed the Consideration Threshold.</p>	
<p>(2) BNM CG Policy states that the board must determine whether an individual to be appointed as an independent director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his independent judgement. An individual must not be considered to be an independent director if he or any person linked to him:</p> <p>(a) has been an executive in the last two years;</p> <p>(b) is a substantial shareholder of the financial institution or any of its affiliates; or</p> <p>(c) has had a significant business or other contractual relationship with the financial institution or any of its affiliates within the last two years.</p> <p>“Significant business or other contractual relationship” refers to any transactions or contractual relationships with the Corporation where the consideration in aggregate exceeds the Consideration Threshold.</p> <p>4.5 Tenure of Independent Directors</p> <p>The tenure of an independent director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Company. Upon completion of the 9 years, an independent director shall retire on the expiry date of his or her term of office approved by BNM.</p>	<p>BNM CG Policy Paragraph 11.7</p> <p>BNM CG Policy Paragraph 11.9</p> <p>MCCG Practice 4.3</p>
<p>5 SCHEDULES</p>	
<p>This Policy must be read in conjunction with its subordinate schedules as provided in the table below.</p>	

6	POLICY INFORMATION	
	<p>Definitions that relate to this Policy only</p>	<p>“BNM” means Bank Negara Malaysia.</p> <p>“BNM CG Policy” refers to BNM policy document on Corporate Governance.</p> <p>“BNM F&P Policy” refers to BNM policy document on Fit and Proper Criteria.</p> <p>“BNM Guidelines” refers to the BNM F&P Policy and BNM CG Policy collectively.</p> <p>“CA 2016” means Companies Act, 2016.</p> <p>“CEO” means the chief executive officer.</p> <p>“FSA 2013” means Financial Services Act, 2013.</p> <p>“HLFG Group” means HLFG and all its subsidiaries.</p> <p>“MCCG” means Malaysian Code on Corporate Governance.</p> <p>“MMLR” means Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>“NC” means the Nomination Committee of the Company.</p>

Independent Background Checks

The independent background checks to be conducted by the Company to verify the information disclosed in the F&P Declaration, shall cover, amongst others, the following areas:

- (i) Civil Litigation
 - Search includes all serious and minor litigation that is publicly available.
- (ii) Criminality/ Local Integrity check
 - Search covers criminal records that are publicly available, offences from police open sourced databases, courts and enforcement agencies.
- (iii) Cyber Vetting/ Adverse Media Search
 - Search includes all public media, online and publication search for adverse findings on the subject.
- (iv) Global Integrity Check
 - Search if the subject is linked to any International Sanctions, Anti Money Laundering, Counter Terrorist Financing, Interpol, Politically-Exposed Persons globally.
- (v) Malaysian Regulatory Searches
 - Search if the subject has been blacklisted as a cautioned individual by Malaysian Regulatory Bodies such as Bank Negara Malaysia, Securities Commission Malaysia and Malaysian Anti-Corruption Commission.