



MSM MALAYSIA HOLDINGS BERHAD

Fit and proper policy for the appointment and re-election of directors

MSM Malaysia Holdings Berhad (MSM) has in place a fit and proper policy for the appointment and re-election of its directors named MSM Board Nomination and Election Policy and Procedures (BNE Policy). The BNE Policy which was approved by the Board on 22 March 2018 and revised on 20 November 2019 formalizes the policies on Board Composition (includes diversity), Independence, Conflict of Interest and Board Assessment required to meet the need of the Group.

The BNE Policy serve as a guide to the Nomination and Remuneration Committee (NRC) and the Board with the detailed guidance and transparent process in relation to the nomination and election of Directors, including appointment, re-election or re-appointment, which developed in alignment with the relevant statutory/regulatory requirements with additional procedures based on the Company's needs to ensure the fitness and propriety of Director to effectively discharge their duties to the Company.

The BNE Policy provides guidelines on the Board diversity, in terms of gender, age, ethnicity and cultural background in considering the composition of the Board which includes the following:

- (a) adoption of merit-system and no discrimination on gender and ethnicity;
- (b) difference of age groups to infuse a mixture of qualities such as ideas, risk appetites or experience; and
- (c) appropriate diversity in relation to the mix of technical and non-technical qualities of Directors.

The NRC undertakes a formal, rigorous and transparent process to appoint suitable Board candidates based on the following selection criteria before recommending their appointment to the Board for approval:

- a) skills, knowledge, expertise and experience
- b) contribution and performance
- c) character, professionalism and integrity
- d) Time commitments and valued contribution
- e) ability to discharge certain responsibilities/functions as expected from Independent Directors.

Apart from the above criteria, the NRC and Board are guided by the Board Succession Plan, to ensure that the preferred skilled set in the following areas are being considered in assessing candidates for directorship of MSM Board:

Soft Skills

- a) Effective Communication
- b) Leadership
- c) Management
- d) Relationship Management
- e) Stakeholder Engagement
- f) Influencing
- g) Team Player
- h) Responsiveness
- i) Psychology & Behavioural Traits
- j) Problem Solving

Core Skills

- a) Industry experience and knowledge
- b) Finance/Accounting/Taxation/IFRS/MFRS
- c) Corporate Governance & Best Practices
- d) Risk Management & Internal Controls
- e) Legal & Regulatory Requirements
- f) Strategic Thinking, Planning & Communication
- g) Human Capital Management
- h) Public Policy & Regulatory
- i) Crisis Management
- j) Analytical & Statistical Methods

Business Skills

- a) Knowledge on competitors
- b) Global Trends / Cross Cultural Experience
- c) Mergers & Acquisitions
- d) Turnaround / Restructuring
- e) Investment Evaluation
- f) Treasury & Banking
- g) Sales, Marketing & Branding
- h) Production & Quality Assurance
- i) Inventory Management
- j) Business Process
- k) Management Reporting

Specialized Skills

- a) Future Market
- b) Cyber Security
- c) Information Technology
- d) Digital & Consumer Analytics
- e) International Trade / Cross Border Trade
- f) Renewable Energy
- g) Carbon accounting and trading
- h) Environmental, Social and Governance (ESG)
- i) Research & Development (Technical)
- j) Fast Moving Consumer Goods (FMCG)

The BNE Policy also states that one of the considerations in determining the appropriate candidates for nomination and election to the Board is that the candidate is not an Active Political Person i.e. not a Member of Parliament, State Assemblyman, Supreme Council Member of a political party or member who holds a position at divisional level in a political party.

The NRC shall conduct an assessment and evaluation of the proposed candidates for Board composition. The assessment and evaluation process may include, at the NRC's discretion, reviewing the candidate's resume, curriculum vitae and relevant information, confirming the candidate's qualifications, conducting legal and other background searches as well as a formal and informal interviews. For an independent Director position, additional assessment on independence based on criteria set out in the BNE Policy shall be carried out. The Company Secretary shall conduct a criminal offences/infractions check and bankruptcy check before the proposal for appointment is tabled to the Board.

The NRC also review and conduct an assessment process to evaluate the eligibility of retiring Directors for re-appointment/ re-election at the Annual General Meeting before recommending to the Board for approval. In determining the eligibility of Directors for re-appointment/ re-election, NRC also considered the following elements, among others:

- The Individual Director Assessment as part of the external Board Evaluation Assessment which focuses more on soft governance aspects of the Director (individual contribution, communication with members, their decision making and traits); and
- Special skills and knowledge an individual Director brings to the organization.

SUMMARY OF BNE POLICY ON THE APPOINTMENT AND RE-ELECTION OF DIRECTORS

Policy on Board Composition

The **composition and size** of MSM Board and MSM Board Committees shall be in accordance with MSM's Constitution, MSM's Board Charter and Terms of Reference of MSM Board Committees. In considering the composition of the MSM Board and MSM Board Committees, the following shall be considered:

- (a) evolving circumstances of the Company and the Group in term of its size, scope and geography;
- (b) balance of Executive and Non-Executive Directors;
- (c) balance of Independent and Non-Independent Directors;
- (d) quorum requirements for MSM Board meetings and MSM Board Committees meetings; and
- (e) other factors such as, representation of the interests of certain shareholders or groups of shareholders (e.g. state agencies, pension funds), the technical knowhow or experience in relevant industry sector, and the Board's diversity of professional experience, ethnicity, gender and age.

The **considerations** in determining the appropriate candidates for nomination and election to MSM Board shall include the following:

- (a) skills, knowledge, expertise and experience;
- (b) contribution and performance;
- (c) character, professionalism and integrity;
- (d) number of directorships and other external obligations which may affect the Director's commitment, including time commitment and value contribution;
- (e) in the case of candidates for the position of Independent Director, the Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected by Independent Directors; and
- (f) not an Active Political Person.

Qualities required of Directors – Pursuant to Paragraph 2.20A of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities), Directors are required to demonstrate the following qualities to effectively discharge his/her role as a Director of the Company:

(a) Character

Positive character and professionalism which could contribute to board function, including the ability to challenge business proposals in a constructive manner;

(b) Experience and competency

Relevant industry or business experience, skills and knowledge that provides the Board the necessary industry or business perspectives and helps the Board facilitate business strategies, deliberations and carrying out the MSM Board/MSM Board Committee's roles.

(c) Integrity

Director's integrity and reputation is important in fostering mutual confidence and trust among Directors, as well as with MSM's stakeholders; and

(d) Time

Directors shall commit sufficient time to the Company, as expected of them for the effective discharge of their roles and responsibilities. The time commitment of Directors takes into account the Director's full-time occupation and membership as Directors of other listed and non-listed entities.

The recommendation by the Board and NRC for Directors submitting themselves for re-election and/or re-appointment shall be made in consideration of, amongst others, the following:

- (a) understanding and support of MSM Group's objects and goals;
- (b) demonstration of integrity in discharging his/her roles and responsibility;
- (c) attendance at MSM Board meetings and MSM Board Committee meetings;
- (d) effective communication, including contribution at MSM Board meetings and MSM Board Committee meetings;
- (e) participation at MSM Board meetings and MSM Board Committee meetings;
- (f) where a Director sits on various boards, the NRC shall consider whether the Director is able to and has been effective in carrying out his/her duties;
- (g) an open mind to the views of others and the ability to change or adjust positions after hearing them;
- (h) ability to express a dissenting or independent opinion, candour or challenge the majority view in a respectful and constructive manner;
- (i) commitment to continuing education both on an individual basis and Board basis, and ability to use this education to improve Board deliberations; and
- (j) compliance with governing rules and legislations, particularly conflict of interest, confidentiality and duty of care provisions.

MSM shall adopt **Board diversity**, in terms of gender, age, ethnicity and cultural background in considering the composition of the Board which includes the followings:

- (a) adopts a merits-system and does not discriminate, including on the grounds of gender and ethnicity, in determining the composition of the MSM Board;

- (b) adopts a Board which is made up of different age groups, in order to infuse a mixture of qualities such as ideas, risk appetites or experience, above the full age of 18 years old and no age limit as provided in MSM's Board Charter; and
- (c) maintain an appropriate diversity in relation to the mix of technical and non-technical qualities of Directors, to avoid 'group-think' during deliberations. For example, Directors with a balanced range of risk appetites enables strategic decisions to be made while risks are being managed.

The MSM Board shall, on an annual basis, review the composition of the Board in relation to the size of the MSM Board, mix of technical and non-technical qualities, and diversity in meeting the needs of MSM in the short, intermediate and long term.

Directors newly appointed to the MSM Board shall undergo an induction programme as stipulated in MSM's Board Charter, as well as the Mandatory Accreditation Programme ("MAP") as required by Bursa Securities (where applicable).

POLICY ON INDEPENDENCE

An Independent Director shall be 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 interest of MSM.

Without limiting the generality of the foregoing, the following **criteria of independence** shall be taken into account in determining the independence of an Independent Director:

- (a) the Director is **not an Executive Director** of the Company, its subsidiary, holding company or any related corporations;
- (b) the Director is **not or has not been within the last 2 years, an officer** (except as a Non-Executive Director) of the Company, its subsidiary, holding company or any related corporations;
- (c) the Director is **not a major shareholder** of the Company, its subsidiary, holding company or any related corporations;
- (d) the Director is **not a family member of an Executive Director**, officer or major shareholder of the Company or any of its related corporations, or a partner of such family member;
- (e) the Director is **not acting as a nominee or representative of an Executive Director or major shareholder** of the Company or any of its related corporations;
- (f) the Director **did not personally provided professional advisory services** to the Company or any of its related corporations within the last 2 years, where the consideration in aggregate is more than 5% of the gross revenue on a consolidated basis of the Director of the Company, or RM1 million, whichever is the higher;
- (g) the Director is **not a Partner, Director** (except as an Independent Director) **or major shareholder of a firm which has provided professional advisory services** to the Company or any of its related corporations within the last 2 years, where the consideration in aggregate is more than 5% of the gross revenue on a consolidated basis of the Director of the Company or RM1 million, whichever is the higher;
- (h) the Director **did not engage personally in transactions** with the Company or any of its related corporations (other than for Board service as a Non-Executive Director) within the last 2 years, where the consideration in aggregate exceeds 5% of the gross revenue on a consolidated basis of the Director of the Company or RM1 million, whichever is the higher;

- (i) the Director is **not a Partner, Director or a major shareholder of a firm which has engaged in transactions** with the Company or any of its related corporations within the last 2 years, where the consideration in aggregate is more than 5% of the gross revenue on a consolidated basis of the Director of the Company or RM1 million, whichever is the higher;
- (j) the Director is **not a person who is accustomed or under an obligation, whether formal or informal, to act** in accordance with the directions, instructions or wishes of a Director, officer or major shareholder of the Company or any of its related corporations;
- (k) the Director is **not a Director of a body corporate which is accustomed or under an obligation, whether formal or informal, to act** in accordance with the directions, instructions or wishes of the Director, officer or major shareholder of the Company or any of its related corporations;
- (l) the Director is **not a person in accordance with whose directions, instructions or wishes a Director, officer, or major shareholder of the Company** or any of its related corporations is accustomed or is under an obligation, whether formal or informal, to act;
- (m) the Director is a **not Director of a body corporate in accordance with which directions, instructions or wishes of a Director, officer, or major shareholder of the Company** or any of its related corporations is accustomed or is under an obligation, whether formal or informal, to act;
- (n) the Director **did not receive performance-based remuneration or incentives** from the Company, its subsidiaries, holding company or any related corporations;
- (o) the Director is **not a Director, officer, major shareholder, beneficiary, or a family member to such persons**, of a not-for-profit entity (including charitable organisation) **that receives significant contributions** from the Company or any of its related corporations;
- (p) the Director is **not a person who performs a policy-making function**;
- (q) the Director is **not a person who has the ability to exert considerable influence** on the Company's financial standings;
- (r) the Director is **not an administrator or liquidator of the Company**; and
- (s) the Director is **not a trustee or other person administering an arrangement** made between the Company and an external party.

MSM requires all Independent Directors to be able to demonstrate both actual and perceived independence, i.e. "Independence in Appearance" and "Independence in Mind".

The term of any Independent Directors in MSM Board shall not exceed three (3) years. Upon completion of three (3) years tenure, such Independent Director shall cease to be a Director, but may still be eligible for re-appointment to a maximum of nine (9) years. After a cumulative term of nine (9) years, an Independent Director shall cease to be a Director of the Company.

Notwithstanding the above, the Independent Directors shall be subjected to the annual assessment on independence, as part of the Board Assessment.

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