



# **SERN KOU RESOURCES BERHAD**

[Registration No. 200001016496 (519103-X)]

## **DIRECTORS' FIT AND PROPER POLICY**

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## **1. PURPOSE**

- 1.1 This Policy set out the fit and proper criteria for the appointment and re-appointment of Directors on the Boards of Sern Kou Resources Berhad (“Sern Kou”) and its subsidiaries.
- 1.2 To ensure that each of the Directors has the character, skills, knowledge, experience, honesty and integrity, competence and capability, financial soundness, and time to effectively discharge his/her role as a Director of Sern Kou and its subsidiaries, and in tandem with good corporate governance practices.
- 1.3 Serve as a guide to the Nomination and Remuneration Committee (“NRC”) and the Board in their review and assessment of candidates that are to be appointed onto the Board as well as Directors who are seeking for election or re-election.

## **2. FIT AND PROPER CRITERIA**

To establish whether a person is fit and proper to be a Sern Kou Board, the NRC and the Board shall regards to the person’s:-

- a. Character and Integrity;
- b. Experience and Competence; and
- c. Time and Commitment.

The assessment of the above criteria shall have regard to the considerations set out below in paragraphs 2.1, 2.2 and 2.3 of this Policy.

### **2.1 Character and Integrity**

Probity, personal integrity and reputation are values that are demonstrated over time whilst financial integrity is demonstrated by a person who manages his own financial affairs properly and prudently. These attributes demand a disciplined and on-going commitment to high ethical standard.

In assessing a person’s character and level of integrity, the NRC should consider matters including but not limited to the following:-

- (i) Probity
  - is compliant with legal obligations, regulatory requirements and professional standards
  - has not been obstructive, misleading or untruthful in dealings with regulatory bodies or a court
- (ii) Personal integrity
  - has not perpetrated or participated in any business practices which are deceitful, oppressive, improper (whether unlawful or not), or which otherwise reflect discredit on his/her professional conduct.

- service contract (i.e. in the capacity of management or Director) had not been terminated in the past due to concerns on personal integrity
  - has not abused other positions (i.e. political appointment) to facilitate government relations for the company in a manner that contravenes the principles of good governance
- (iii) Financial integrity
- manages personal debts or financial affairs satisfactorily
  - demonstrates ability to fulfil personal financial obligations as and when they fall due.
- (iv) Reputation
- is of good repute in the financial and business community
  - has not been the subject of civil or criminal proceedings or enforcement action, in managing or governing an entity for the past 10 years
  - has not been substantially involved in the management of a business or company which has failed, where that failure has been occasioned in part by deficiencies in that management

## 2.2 Experience and Competence

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

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

- (i) Qualifications, training and skills
- possesses education/professional qualification that is relevant to the skill set that the Director is earmarked to bring to bear onto the boardroom
  - has a considerable understanding on the business and workings of a corporation
  - possesses general management skills as well as understanding of corporate governance and sustainability issues
  - keeps knowledge current based on continuous professional development
  - possesses leadership capabilities and a high level of emotional intelligence
- (ii) Relevant experience and expertise
- possesses relevant experience and expertise with due consideration given to past length of service, nature and size of business, responsibilities held and commitment to effectively fulfil the roles and responsibilities..
- (iii) Relevant past performance or track record

- possesses commendable past performance record or expertise in a business of a similar nature
- possesses appropriate range of skills and experience to understand, operate and manage the business of a similar nature

### **2.3 Time and Commitment**

In assessing a person's time and commitment, the NRC should consider matters including, but not limited to the following:

- (i) Ability to discharge role having regard to other commitments
  - able to devote time as a board member, having factored other outside obligations including concurrent board positions held by the Director across listed issuers and non-listed entities (including not-for-profit organisations)
- (ii) Participation and contribution in the board or track record
  - demonstrates willingness to participate actively in board activities
  - demonstrates willingness to devote time and effort to understand the businesses and exemplifies readiness to participate in events outside the boardroom
  - manifests passion in the vocation of a Director
  - exhibits ability to articulate views independently, objectively and constructively
  - exhibits open mindedness to the views of others and ability to make considered judgment after hearing the views of others
- (iv) Number of Directorships
  - Shall not hold more than five (5) directorships in listed companies

## **3. THE ASSESSMENT**

- 3.1 The NRC will assess each person for a new appointment or re-appointment of Directors based on the criteria set under item 2 before recommending to the Board for approval.
- 3.2 The fit and proper assessments must be supported by relevant information in relation to a director. Where significant reliance is placed on information that is obtained from the person being assessed, and that information is material to the determination of the person's fitness and propriety, the NRC is expected to take reasonable steps within permissible written laws to verify the information against independent sources.
- 3.3 The documentation of fit and proper assessments for each director are part of the Company's internal documents and shall not be disclosed or provided to any other party.
- 3.4 Where the NRC has assessed that a person:
  - (i) is not fit and proper for a position, the board shall not appoint the person to the said position; and

- (ii) is no longer fit and proper for a position, the board shall take reasonable steps to remove the person from such position as soon as practicable and in the interim, institute necessary measures to mitigate risks associated with the person continuing to hold the position.

3.5 A person is not fit or proper whenever he/she:

- has demonstrated a lack of willingness to comply with legal obligations, regulatory requirements or professional standards, or has been obstructive, misleading or untruthful in dealing with regulatory bodies or a court;
- has breached a fiduciary obligation;
- has perpetrated or participated in negligent, deceitful, or otherwise discreditable business or professional practices;
- has been reprimanded, or disqualified, or removed by a professional or regulatory body in relation to matters relating to the person's honesty, integrity or business conduct;
- has seriously or persistently failed to manage personal debts or financial affairs satisfactorily in circumstances where such failure caused loss to others;
- has been substantially involved in the management of a business or company which has failed, where that failure has been occasioned in part by deficiencies in that management;
- is of bad repute in any business or financial community or any market; or
- was the subject of civil or criminal proceedings or enforcement action within or outside of Malaysia, in relation to the management of an entity, or commercial or professional activities, which were determined adversely to the person (including by the person consenting to an order or direction, or giving an undertaking, not to engage in unlawful or improper conduct) and which reflected adversely on the person's competence, diligence, judgment, honesty or integrity.

#### **4. REVIEW OF THE POLICY**

4.1 The NRC shall recommend any change to the Policy as the NRC deems appropriate to the Board for approval. The terms of the Policy shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Listing Requirements of Bursa Malaysia Securities Berhad or any other regulatory requirements.

The Directors' Fit and Proper Policy has been adopted by the Board on 23 May 2022.