



**CTOS DIGITAL BERHAD**

[COMPANY NO. 201401025733 (1101823-A)]

**DIRECTORS' QUALIFICATION,  
FIT AND PROPER POLICY**

## **1. INTRODUCTION**

The Board of Directors (“Board”) of CTOS Digital Berhad (“CTOS”) is entrusted with significant role of providing strategic leadership that contributes the positive growth of CTOS. The Board recognizes the importance of cultivating and sustaining a good robust corporate governance in order to assist CTOS in promoting a culture of integrity and transparency.

As the steward of CTOS, the Board aims to establish the standard principles governing its composition particularly on the qualities, competencies and experience that will allow the Board to perform the duties and responsibilities as required of the position in the most effective manner.

## **2. OBJECTIVE**

This Qualification, Fit and Proper Policy (“Policy”) sets out the standards and the expectations on the suitability of both the candidate and the current Directors of CTOS. The Policy shall provide transparency on the selection for the Board composition in order to ensure that the Directors of CTOS have the character, integrity and competence required to perform the roles and responsibilities of a Director of a public listed company.

## **3. MANDATE**

Under Article 77 of the Constitution of CTOS, the Board shall have the power from time to time to appoint any person to be a Director either to fill a casual vacancy or to be an addition to the existing composition of the Board.

In determining the qualification and suitability for directorship, the Board is guided by the statutory requirements under the Companies Act 2016 (“Companies Act”), the Capital Market and Services Act 2007 (“CMSA”), the Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (“Bursa MMLR”) and other relevant laws and regulations in Malaysia governing CTOS (collectively referred to as “Governing Laws”).

## **4. SCOPE OF POLICY**

- 4.1 In addition to the current Board Selection Policy, the Policy sets the terms and conditions to be observed in the assessment and appointment of Director of CTOS including the minimum factors that need to be considered in assessing the qualification, fit and proper criteria of the said Director.

*For the purpose of this Policy, any provision governing the Director/s herein shall be applicable to any candidate to be appointed as Director of CTOS.*

- 4.2 The Policy further established the roles and responsibilities of the Board, the Nominating and Remuneration Committee (“NRC”) and CTOS in establishing and implementing this qualification, fit and proper criteria requirements.
- 4.3 This Policy shall govern the Directors throughout their directorship in CTOS.

## **5. QUALIFICATION CRITERIA OF A DIRECTOR**

- 5.1 In general, the Directors of CTOS is required to comply with the statutory qualification criteria under the Governing Laws during the appointment and throughout his/her directorship tenure in CTOS. This statutory qualification criteria includes the following provisions under the Governing Laws , inter alia:-

### **The Companies Act 2016**

Under Section 198 and Section 20, a Director of CTOS must not be a person who:-

- (i) is an undischarged bankrupt;
- (ii) has been convicted of an offence relating to the promotion, formation or management of a corporation;
- (iii) has been convicted of an offence involving bribery, fraud or dishonesty;
- (iv) has been convicted of an offence under Sections 213, 217, 218, 228 and 539; or
- (v) has been disqualified by the Court under Section 199; or
- (vi) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the Mental Health Act 2001 [Act 615].

#### **The Capital Market and Services Act 2007 (CMSA)**

A person to be appointed as Director of CTOS must not be disqualified under Section 318 of CMSA whereby the said Director must not be a person who:-

- (i) has been convicted under a securities law;
- (ii) has had an action taken against him under section 199, 200, 210, 211, 354, 355 or 356 or subsection 201(5) or (6) or section 360; or
- (iii) has been compounded for an offence under section 373;

that his/her conduct as director of CTOS, being a listed corporation, renders him unfit to be directly or indirectly concerned, or to take part, or engage, in the management of CTOS.

#### **The Bursa Malaysia Securities Berhad's Main Market Listing Requirements (Bursa MMLR)**

Under Paragraph 15.05 and Paragraph 15.06, a Director of CTOS must not be a person who:-

- (i) has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence in connection with the promotion, formation or management of a corporation;
- (ii) has been convicted by a court of law, whether within Malaysia or elsewhere, of an offence, involving bribery, fraud or dishonesty or where the conviction involved a finding that he/she acted fraudulently or dishonestly;
- (iii) has been convicted by a court of law of an offence under the securities laws or the corporations laws of the listed issuer's place of incorporation;
- (iv) is absent from more than 50% of the total Board of Directors' meetings held during a financial year; or
- (v) hold more than 5 directorships in listed issuers.

### **6. SPECIFIC QUALIFICATION CRITERIA OF AN INDEPENDENT DIRECTOR**

6.1 Apart from the above Qualification Criteria, an Independent Director of CTOS is further required to comply with the following criteria for qualification of an Independent Director during the appointment and throughout his/her directorship tenure.

6.2 This Specific Qualification Criteria shall cover the general criteria for Independent Director under Chapter 1 of the Bursa MMLR and the specific criteria under Bursa Malaysia Securities Berhad's Practice Note 13 Requirements for Directors and Signatory of Statutory Declaration for Accounts.

### **7. FIT AND PROPER CRITERIA OF A DIRECTOR**

A Director of CTOS must have the character, experience, integrity, competence and time to effectively discharge his/her role as a director of the listed corporation. He/she must not be disqualified and must have met all the fit and proper criteria based on, at minimum, the factors set out in this Policy relating to:-

- (i) probity, personal integrity and reputation;
- (ii) competency and capability; and
- (iii) financial integrity.

## **7.1 Probity, Personal Integrity and Reputation**

- (a) The probity, personal integrity and reputation are values that can be demonstrated through personal qualities such as honesty, integrity, diligence, independence of mind and fairness. These qualities are demonstrated over time and demand a disciplined and on-going commitment to high ethical standards.
- (b) In assessing the Director's level of probity, integrity and reputation, the Board and NRC shall consider factors which include, but are not limited to the following:-
- (i) whether the Director 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 Director 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 Director has contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies;
  - (iv) whether the Director or any business in which he/she 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 Director has engaged in any business practices which are deceitful, oppressive or otherwise improper (whether unlawful or not), or which otherwise reflect discredit on his/her professional conduct;
  - (vi) whether the Director 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/her honesty and integrity;
  - (vii) whether the Director has been associated, in ownership or management capacity, with a company, partnership or other business association that has been refused registration, authorization, membership or a license to conduct any trade, business or profession, or has had that registration, authorization, membership or license revoked, withdrawn or terminated;
  - (viii) whether the Director has held a position of responsibility in the management of a business that has gone into receivership, insolvency, or involuntary liquidation while the Director was connected with that business;
  - (ix) whether the Director 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;
  - (x) whether the Director has been a director of, or directly concerned in the management of any company, the registration/license of which has been revoked;
  - (xi) whether, in the past, the Director has acted unfairly or dishonestly in his/her dealings with his/her customers, employer, auditors and regulatory authorities;
  - (xii) whether the Director has at any time shown a strong objection or lack of willingness to cooperate with regulatory authorities resulting in a failure or potential failure to comply with legal, regulatory and professional requirements and standards, including compliance with tax requirements and obligations;
  - (xiii) whether the Director has contributed significantly to the failure of an organization or a business unit;

- (xiv) whether the Director has at any time shown strong objection or a lack of willingness to maintain effective internal control systems and risk management practices; and
- (xv) whether the Director is involved in any business or other relationship which could materially pose a conflict of interest or interfere with the exercise of his/her judgement when acting in the capacity of a Director which would be disadvantageous to CTOS or CTOS's interests.

## **7.2 Competency and Capability**

The competency and capability are demonstrated by a person who possesses the relevant knowledge, experience and ability to understand the technical requirements 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.

In assessing the Director's competency and capability, the Board and NRC shall consider factors which include, but are not limited to the following:-

- (i) whether the Director has the appropriate qualification, training, skills, practical experience and time 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 Director has satisfactory past performance or expertise in the nature of the business being conducted.

## **7.3 Financial Integrity**

The financial integrity is demonstrated by a person who manages his/her own financial affairs properly and prudently. In assessing the Director's financial integrity, the Board and NRC shall consider all relevant factors which include, but are not limited to the following:-

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

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

## **8. RESPONSIBILITIES OF THE BOARD AND THE NOMINATION AND REMUNERATION COMMITTEE**

- 8.1 The Board through the NRC is responsible for conducting the assessments on the qualification, fitness and propriety of the Directors and making decision on the Director's appointment, reappointment and directorship.

## **9. ASSESSMENT ON QUALIFICATION, FITNESS AND PROPRIETY OF DIRECTOR**

- 9.1 The Qualification, Fit and Proper Criteria Assessment on the Directors shall be conducted prior to the appointment, reappointment/reelection and at a regular interval of at least annually or as and when CTOS becomes aware of information that may materially compromise the Director's fitness and propriety.
- 9.2 The Board shall have regard to the factors set under the Qualification, Fit and Proper Criteria and these factors shall be assessed individually, as well as collectively, taking into account their relative importance.

- 9.3 In view of the statutory requirements, the failure to meet the Qualification Criteria shall be an immediate ground of disqualification and the same could be subjected to termination of directorship.
- 9.4 The failure to meet one assessment factor on its own does not necessarily mean failure to meet the Fit and Proper Criteria. The Board shall consider the specific circumstances surrounding the Director's failure to meet the specific factor, including the lapse of time since the occurrence of events, other contributing factors and the significance of the event from the perspective of potential risks posed to CTOS.
- 9.5 The assessment process will involve a good measure of judgement, which should be exercised objectively, always in the best interests of CTOS and the sound conduct of CTOS' business. Information relevant to the assessment of the fitness and propriety of the Director within the scope of this Policy may further vary depending on the degree of their influence and responsibilities in the affairs of CTOS.

For example, the Board may consider whether there have been material changes in the nature or scope of the responsibilities assumed by a Director which would call for higher standards of competence or judgement in order to properly perform the duties associated with the said position, or which may give rise to new conflicts that could impair the said Director's performance in the position. Similarly, circumstances which warrant the Director to be considered as fit and proper may differ between positions and institutions.

#### 9.6 Self Declaration on Compliance of the Qualification, Fit and Proper Criteria

For the purpose of the Qualification, Fit and Proper Criteria Assessment, the Board would require the Directors to provide their declaration under the following CTOS Declaration Forms:-

- (i) Statutory Declaration by a Person Before Appointment as Director Form 48A
- (ii) Notice of Disclosure by Existing Director under Sections 57, 58, 59, 219 and 221 of the Companies Act 2016;
- (iii) Notice of Director's Interests in Shares, Debentures, Participatory Interests, Rights, Options and Contracts in the Company or its Related Corporations Pursuant to Sections 59 and 219 of the Companies Act 2016;
- (iv) Director's Qualification Declaration under the Capital Market and Services Act 2007 and the Bursa Malaysia Securities Berhad's Main Market Listing Requirements;
- (v) Director's Fit and Proper Criteria Declaration;
- (vi) Declaration on Disclosure of Interests in Securities of the Director under Section 317 of the Capital Market and Services Act 2007; and
- (vii) Confirmation of "Independence" Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These CTOS Declaration Forms may be changed or revised accordingly from time to time.

#### 9.7 Independent Background Screening

- a) In view of significant reliance is placed on information that is obtained from the Director being assessed and that information is material to the determination of the Director's qualification, fitness and propriety, CTOS would take reasonable steps to verify the information against independent sources.
- b) For this purpose, CTOS may conduct independent background screening in order to validate the declarations made to CTOS. This may include gaining information either through CTOS' own services or through third party channels
- c) For foreign Director, an equivalent or similar independent background screening may be conducted based on the said Director's home country or the residence country where the said Director had last resided for the past 5 years. Alternatively, an independent consultant or third party service may be engaged for this purpose.

9.8 Other Avenue for Disclosure

In the event that any person wishes to disclose information that would be relevant for the assessment of Director, the same could be made through the available channel under CTOS' Whistleblowing Policy. CTOS shall provide the necessary protection to such person from any discriminatory action for providing such information.

**10. ASSESSMENT REPORT BY THE NOMINATION AND REMUNERATION COMMITTEE**

10.1 The Company Secretary together with the Human Resource Department and/or the Corporate Legal Affairs Department shall assist the NRC on the Directors' Qualification, Fit and Proper Criteria Assessment.

10.2 The Declaration Forms duly executed by the Directors, the result of the independent background screening and the finding report shall be tabled to the NRC for its assessment and deliberation.

10.3 Upon assessment and deliberation on the status of compliance and the surrounding circumstances relating to the Directors' qualification, fitness and propriety, the NRC shall conclude its assessment and the result therewith shall be tabled to the Board for its further consideration.

**11. ADVERSE RESULT ON THE QUALIFICATION, FIT AND PROPER CRITERIA ASSESSMENT**

11.1 In the event of any adverse result discovered during the Qualification, Fit and Proper Criteria Assessment, the NRC shall deliberate and recommend to the Board on the appropriate action to be taken by CTOS.

11.2 For this purpose, as and when required, the Board and/or the NRC shall be accorded with access to any third party expert advice and the cost therewith shall be borne by CTOS.

**12. REVIEW OF POLICY**

12.1 This Policy and the procedure herewith may be periodically reviewed and revised by the Board to ensure its relevance and alignment with the prevailing Governing Laws, CTOS' organizational needs and structure and any material change in the business, risk profile and strategy of CTOS.