

Capital Market Development Authority

'Fit and Proper' Guidelines for Directors of Listed Companies

1. Introduction

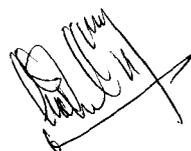
- 1) These guidelines set out the fit and proper criteria applicable to all directors of listed companies. The Nomination Committee of the listed company should consider these criterion in determining whether a person is 'fit and proper' for the directorship of the Board.
- 2) The requirements set out in these guidelines should not be deemed to be exhaustive. They should be interpreted as complementing the provisions of applicable laws and regulations, and other relevant regulatory conditions, and should be read in conjunction with the Corporate Governance Code.
- 3) The onus on the Nomination Committee to establish each and every director is a fit and proper person. In doing so, the Nomination Committee shall also ensure that the directors fulfil the additional requirements set forth in the Companies' Articles of Associations, the procedures and rules which would apply to the nomination and conduct of directors.

2. Definition of "fit and proper"

- 1) A person who is 'fit and proper' should be financially solvent, should have integrity, good reputation and professional competence.
- 2) The Nominations Committee shall, in assessing a person's fitness and properness, take into consideration the following:
 - i. Financial status or solvency
 - ii. Reputation, character and integrity
 - iii. Education or other qualifications, or experience, having regard to the nature of the functions to be performed or the diverse experience and expertise needed to suit the specific requirements of the company.

3. Financial solvency

- 1) A person is not financially sound if:
 - i. Is bankrupt or financially insolvent **and** has not been discharged; or is currently subject to bankruptcy proceedings; or is bankrupt person who has been discharged within last five (5) years.
 - ii. Is subject to receivership or other similar proceedings;
 - iii. Has failed to meet any judgement for debt within last five (5) years; however the Nomination committee should have regard to the circumstances of the failure.



4. Integrity, reputation and character

- 1) A person is not fit and proper if that person was found to be of a poor reputation, character or reliability or was found to be dishonest. Following are relevant factors in this regard, and weight given to these types of events would depend on a number of factors such as the time since the event, the seriousness of the event, the level of responsibilities undertaken at the time of event, and other circumstances which the Committee deems important to evaluate the properness with respect to any of these events.
 - i. Convicted by a court or other competent authority for theft, fraud, dishonesty or misfeasance.
 - ii. Is convicted of a criminal offence or is the subject of unresolved criminal charges which are of direct relevance to properness
 - iii. Found guilty of insider trading or market misconduct
 - iv. Is subject to investigations of fraud or dishonesty

5. Properness

- 1) Properness is assessed with reference to the person's academic and industry qualifications together with relevant experience.
 - i. Persons should have the skills, knowledge and professionalism necessary to perform their duties. The level of knowledge expected varies according to the level of responsibility. Persons are generally expected to be able to display an understanding of:
 - ii. *The general structure of the particular regulatory framework (if any) that applies to the company's business*
 - iii. The legislations, laws, principles, and supervisory rules specific to capital market
- 2) Following are relevant factors in assessing properness, and weight given to these types of events would depend on a number of factors such as the time since the event, the seriousness of the event, the level of responsibilities undertaken at the time of event, and other circumstances which the Committee deems important to evaluate the properness with respect to any of these events.
- 3) A person is not proper if –
 - i. He is unfit for the job by any reason of integrity and reputation, as stated in this guideline
 - ii. Disqualified by a court of competent jurisdiction from being a Board director
 - iii. Censured, disciplined or disqualified by any professional or regulatory body in relation to any trade, business or profession;



- iv. Persistently failed to abide by the rules and regulations governing the conduct of the Board, including those of conflicts of interests
- v. A Board director, substantial shareholder, or manager of a Company or business that:
 - a) Was wound up (otherwise than by a voluntary dissolution unrelated to solvency) or was otherwise insolvent or had a receiver or administrator appointed; or
 - b) Was found to be involved in fraudulent or illegal activities; having regard to the degree of association with the company, and the duration for which the director has served in the Board
- vi. *Is having conflicting positions/directorship held in competing businesses or institutions, excluding subsidiary businesses, where the Committee considers that such conflicts are irreconcilable under the circumstances*
- vii. There is any other evidence of his incompetence, negligence or mismanagement; such evidence may include the person having disciplined by a professional, commercial or regulatory body; or is dismissed or requested to resign from any position or office for negligence, incompetence or mismanagement

6. Continuous requirement

- 1) The nomination committee should periodically review whether there are any circumstances where the directors continue to meet fit and propriety requirements set out in these guidelines.
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