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## **INTRODUCTION**

Fit and Proper Criteria Policy (“Policy”) outlines the definition, requirements and responsibilities of the identified parties in AmBank Group to ensure that it is conducted, administered and managed in a secured method and transparent manner as required and outlined by Bank Negara Malaysia (“BNM”) Fit and Proper Criteria Policy (“BNM policy”) issued on 28 June 2013.

Members of the Board of Directors (“Board”) and senior management of AmBank Group (“Group”) provide strategic leadership that influences the financial position and future direction of the Group. As such, persons in these positions should have the necessary qualities, competencies and experience that will allow them to perform the duties and carry out the responsibilities required of the position in the most effective manner. The expectation on the suitability of persons in key positions are an extension of the corporate governance framework and are also aimed at ensuring that the financial institution is led by persons of integrity, credibility and competency.

This Policy set out the requirements on the obligations of the Group to assess and determine the fitness and propriety of key responsible persons. It further defines:

- a) the minimum fit and proper criteria applicable to key responsible persons; and
- b) the responsibilities of the Group, the Board and the Group Nomination & Remuneration Committee (“GNRC”) to adopt and ensure effective implementation and compliance to the fit and proper policies.

## **POLICY OBJECTIVES**

The objectives of this Policy are:

- a) To define the key responsible persons;
- b) To set appropriate governance framework and process requirements for operationalising the guidelines requirements, including the documentation requirements and approval authorities;
- c) To set the conditions to be observed in the assessment and appointment of key responsible persons and the company secretary;
- d) To provide clarity of roles and responsibilities of the Board and GNRC in the implementation of the Policy; and
- e) The minimum factors that need to be considered in assessing whether or not the fit and proper criteria for key responsible persons and the company secretary have been met.

**APPLICABILITY**

This Policy is applicable to the key responsible persons as defined hereunder and the Group Company Secretary.

## KEY RESPONSIBLE PERSONS FOR THE GROUP

1. Key responsible persons in this Policy refer to persons who are accountable or responsible for the management and oversight of the Group (as per definition in the BNM policy).
2. The **identified key responsible persons** for the Group are:
  - a) The Board of Directors;
  - b) Members of the Shariah Committee;
  - c) Group Chief Executive Officer (“GCEO”); and
  - d) Senior Officers of the Group.
3. For purpose of this Policy, **Senior Officers of the Group** comprise of:
  - a) Chief Executive Officers (“CEOs”) of the Group’s entities/ subsidiaries;
  - b) Managing Directors (“MDs”) of the lines of business;
  - c) All Group Chief Officers (i.e. Group Chief Internal Auditor, Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Operations Officer, Group Chief Compliance Officer and Group Chief Human Resource Officer);
  - d) All appointed and signing actuaries; and
  - e) Any AmBank Group employees identified by GCHRO and GCEO from time-to-time.
4. In the BNM policy, Senior Officers are defined as any person:
  - performing a senior management function whose primary or significant responsibility is for the management and performance of significant business activities of the financial institution (“FI”); and
  - who assumes primary or significant responsibility for key control functions, including a person who is principally accountable or responsible, whether solely or jointly with other persons, for monitoring the appropriateness, adequacy and effectiveness of the FI’s internal controls, risk management and compliance systems and processes.

### 5. Inclusion as Senior Officer for the Group

The GCEO may, on recommendation by the Group Chief Human Resource Officer (GCHRO), determine that an employee is a Senior Officer of the Group as defined above; upon which, the fit and proper process will be performed.

Any new inclusion of employee as Senior Officer will thereafter be notified to GNRC and Board, as part of the yearly review and update process.

**6. Delegation of Responsibilities to GCEO**

The Board and GNRC delegate authority to the GCEO to conduct the fit and proper assessments for Senior Officers and to make decisions on their appointments.

## FIT AND PROPER ASSESSMENT REQUIREMENTS

### 1. Criteria

The Group shall adopt the following criteria in conducting the fit and proper assessments as per BNM policy:

- a) **Probity, personal integrity and reputation** – person must have the 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) **Competence and capability** – 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 role in a key function in the relevant capacity effectively.
- c) **Financial integrity** – person must manage his own financial affairs properly and prudently.

### 2. Conditions for Assessment and Appointment

- a) Any person to be appointed as a **key responsible person** must not be disqualified and have been assessed to have met all the fit and proper criteria based on, at minimum, the factors set out above relating to:
  - i. Probity, personal integrity and reputation;
  - ii. Competence and capability; and
  - iii. Financial integrity.
- b) Any person to be appointed as a **company secretary** must not be disqualified and must be fit and proper for the role of a company secretary based on the factors relating to:
  - i. Probity, personal integrity and reputation; and
  - ii. Competence and capability.

### 3. Frequency of Assessment

The assessment for the identified key responsible persons and company secretary shall be conducted as follows:

- a) as pre-employment or pre-appointment check;
- b) at least on a yearly basis during the person's employment or appointment; and
- c) whenever the Board, GNRC or Management becomes aware of information that may materially compromise a key responsible person's or the company secretary's fitness and propriety to ensure that the person fulfils the fit and proper criteria at all times.

4. **Escalation**

Assessment reports/findings are to be presented to the Board and GNRC for information and/or further deliberation and resolution.



## **ASSESSMENT PROCESS**

1. The assessment process shall be developed by Human Resources.
2. The assessment of the identified key responsible persons and company secretary shall be managed as follows:
  - a) Board of Directors - by Group Company Secretary
  - b) Shariah Committee - by Group Company Secretary
  - c) Other key responsible persons and company secretary - by Human Resources
3. For pre-employment checks during the initial recruitment and selection process should be made fair, open and non-discriminatory and where relevant, regulatory clearance must be obtained to ensure compliance of all basic checks for all employment.
4. The assessment information gathering shall be made using the following method:
  - a) self-declaration to be obtained from the person being assessed; and/or
  - b) verification against independent sources (i.e. external parties), carried out by Group Company Secretary and Human Resources and if applicable, his/her immediate supervisor.

## **ASSESSMENT FACTORS AND CONSIDERATIONS**

1. Appendix 1 listed the items to be considered as assessment factors, which are within the scope of criteria stipulated above.
2. A person is deemed fit and proper for a position when all areas and criteria assessed showed no adverse records. Nevertheless, failure in meeting one of the criteria shall not necessarily be deemed unfit and to be deliberated as per below.
3. Failure in meeting any of the items assessed listed in Appendix 1 shall be escalated to the Board and GNRC for deliberation and decision with the following considerations:
  - a) “Probity, personal integrity and reputation” are demonstrated over time and would reflect a disciplined and on-going commitment to high ethical standards. Hence, any adverse may render the person as unfit.
  - b) “Competence and Capability” would determine the person’s ability to effectively discharge the duties assigned. Competency gaps identified, if any, may be addressed via structured development plan instead of immediately deemed as unfit.
  - c) “Financial Integrity” criteria can significantly contribute the state of health of person’s integrity as managing public funds requires person’s sound financial standing. However, the fact that a person may be of limited financial means does not in itself, affect the person’s ability to satisfy the financial integrity criteria.
4. Notwithstanding the above, a person is not fit and proper for a position if:
  - a) a key responsible person is disqualified pursuant to section 59(1) of the FSA or section 68(1) of the IFSA;
  - b) a company secretary is disqualified pursuant to section 238 of the Companies Act 2016.
5. Any reported improper conduct (as defined in the Group’s Whistleblower Protection Policy) against the key responsible person or company secretary may be considered as part of the assessment factors.

## **ASSESSMENT FINDINGS AND DECISIONS**

The Board and GNRC, upon receipt of the assessment result shall then deliberate to decide on the following decision for further execution by Human Resources:

- a) If the person is not fit and proper for a position; the Board shall not appoint the person to the said position; and
- b) if the person is no longer fit and proper for a position; the Board shall take reasonable steps to remove the person from such position. In the interim, the following measures and steps must be instituted to mitigate the risks associated with the person holding the position:
  - i. to revoke the assigned Discretionary Limit/Authority Limit; and
  - ii. to appoint the person's supervisor as the caretaker in running the department's daily operations.

## **ESCALATION OF BREACHES**

1. Any breaches of this policy, including any identified issues that could lead to a breach (e.g. the key responsible person becomes unfit eventually) must be notified to the GCHRO immediately (i.e. on a best effort basis, ideally within 24 hours).
2. The GCHRO will, where appropriate, advise the Board and GNRC of these breaches on an immediate basis for action and decision to be taken.
3. Alternatively, the matter may be escalated as per the process defined under the Group's Whistleblower Protection Policy if deemed appropriate.

## **ROLES AND RESPONSIBILITIES**

### **1. Board of Directors & GNRC**

- a) Responsible to ensure appropriate mechanism is in place to monitor and ensure on-going compliance with the policy including codes of conduct as well as disclosure and reporting obligations relating to the fit and proper requirements;
- b) Responsible to conduct assessments on the fitness and propriety of the directors, members of the Shariah Committee, the GCEO and the Group Company Secretary, and making decisions on their appointments;
- c) Accountable for the fit and proper assessments and appointment decisions delegated to the GCEO for Senior Officers;
- d) Observe the provisions of sections 61 and 62 of the FSA and sections 70 and 71 of the IFSA in the event that a key responsible person is disqualified or is no longer fit and proper;
- e) Where the Board or GNRC has assessed that the company secretary no longer demonstrates the qualities specified above, the Board must take immediate steps to reduce the risk associated with the person continuing to hold the position and remove the person from such position as soon as practicable. The Group is to inform BNM in writing of the removal of such person within seven (7) days.

### **2. Key Responsible Persons and Company Secretary**

- a) Understand the fit and proper requirements of this Policy and the obligation to continue to meet the fit and proper criteria set by BNM on an on-going basis;
- b) Participate in the assessment exercise whenever required; and
- c) Escalate any breach of Policy to the GCHRO.

### **3. Human Resources**

- a) Acts as a subject matter expert and provides guidance in relation to the Policy; and
- b) Ensures that the requirements within the Policy are understood by the business to assist them in implementing compliance monitoring arrangements.

### **SAFEKEEPING OF ASSESSMENT RECORDS**

The information collected and assessment record of the person that is being assessed shall be kept under the custodian of Group Company Secretary and Human Resources with the strictest confidentiality as follows:

- a) Group Company Secretary for Board members and Shariah committee; and
- b) Human Resources for other identified key responsible persons and the company secretary.

## **MAINTENANCE OF SENIOR OFFICERS LIST**

Human Resources shall maintain a list of Senior Officers. On an annual basis, Human Resources shall provide the GNRC an updated list of Senior Officers together with the fit and proper assessment results. The GNRC shall review the list to confirm that the list has included all key positions within the Group and may instruct Human Resources to include any other employees as Senior Officers and to conduct the fit and proper assessment on the identified employees.

## **POLICY COMMUNICATION**

The Group Company Secretary and Human Resources shall ensure that persons appointed as key responsible persons understand the requirements of this policy and their obligations to continue to meet the fit and proper criteria on an on-going basis.

The policy will be made available in Connected for reference and on annual basis, the key responsible persons will be reminded on their obligations during the fit and proper assessment exercise.



## **RETENTION PERIOD OF ASSESSMENT RECORDS**

The documentation of fit and proper assessments for each key responsible person shall be retained for a period of **seven (7) years** from the year the assessment was made, in line with the Group's Record Management Operations Manual for Statutory Reports/BNM Reports (reports required by the authorities).

**APPENDIX 1: ASSESSMENT FACTORS FOR FIT AND PROPER CRITERIA**

No.	Area Of Concern	Possible Validation Source
<b>(A) Probity, Personal Integrity and Reputation</b>		
1.0	Whether the person 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.	The checking avenue to solicit the required information may be obtained from the police, Companies Commission of Malaysia (SSM), Bank Negara Malaysia (BNM), Securities Commission (SC) and other relevant government agencies and statutory authorities.
2.0	Whether the person 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.	
3.0	Whether the person has contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies.	
4.0	Whether the person, or any business in which he 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.	
5.0	Whether the person has been engaged in any business practices which are deceitful, oppressive or otherwise improper (whether unlawful or not), or which otherwise reflect discredit on his professional conduct.	
6.0	Whether the person 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 honesty and integrity.	
7.0	Whether the person 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.	
8.0	Whether the person has held a position of responsibility in the management of a business that has gone into receivership, insolvency, or involuntary liquidation while the person was connected with that business.	The checking avenue to solicit the required information may be obtained from the police, Companies Commission of Malaysia (SSM), Bank Negara Malaysia (BNM), Securities
9.0	Whether the person 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.	
10.0	Whether the person has been a director of, or directly concerned in the management of any FI, the license of which has been revoked.	

No.	Area Of Concern	Possible Validation Source
11.0	Whether a person has contributed significantly to the failure of an organization or a business unit.	Commission (SC) and other relevant government agencies and statutory authorities.
12.0	Whether the person is involved in any business or other relationship which could materially pose a conflict of interest or interfere with the exercise of his judgment when acting in the capacity of a key responsible person which would be disadvantageous to the FI or the FI's interest.	
13.0	Whether, in the past, the person has acted unfairly or dishonestly in dealing with his customers, employer, auditors and regulatory authorities.	Reporting made under Whistleblower Protection Policy
14.0	Whether the person has at any time shown a strong objection or lack of willingness to cooperate with regulatory authorities resulting in a failure to comply with legal, regulatory and professional requirements and standards, including compliance with tax requirements and obligations.	Complaints/ Feedbacks
15.0	Whether the person has at any time shown strong objection or a lack of willingness to maintain effective internal control systems and risk management practices.	Internal Operations Report/Internal Audit Report/External Audit Report/BNM Report
<b>(B) Competence and Capability</b>		
1.0	Whether the person has appropriate qualification, training, skills, practical experience and commitment to effectively fulfil the role and responsibilities of the position and in the case of directors, having regard to their commitments.	<ul style="list-style-type: none"> <li>• Academic transcript</li> <li>• Training Records</li> <li>• Work Experience</li> </ul>
2.0	Whether the person has satisfactory past performance or expertise in the nature of the business being conducted.	Staff's business performance records
<b>(C) Financial Integrity</b>		
1.0	Whether the person has been and will be able to fulfil his financial obligations, whether in Malaysia or elsewhere, as and when they fall due	CTOS
2.0	Whether the person has been the subject of a judgment debt which is unsatisfied, either in whole or in part, whether in Malaysia or elsewhere.	CTOS