



 AFFIN BANK  AFFIN ISLAMIC

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POLICY ON FIT & PROPER ASSESSMENT OF KEY RESPONSIBLE PERSONS

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1.0 INTRODUCTION

The persons who are appointed to key positions of financial institutions provide strategic leadership that influences the financial position and future direction of the financial institution.

Persons in these key positions must 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.

In this regard, BNM issued a policy document on Fit and Proper Criteria, dated 28 June 2013, for the appointment of persons in the key positions of financial institutions.

2.0 OBJECTIVE

The objective of this Policy is to ensure that persons who are to be appointed or have been appointed to key positions are fit and proper to direct and manage the Bank's key business activities and functions. This Policy is also aimed at ensuring the Bank is led by persons of integrity, credibility, and competency.

This Policy has been developed pursuant to BNM Guidelines on "Fit and Proper for Key Responsible Persons" and it should be read together with BNM Guidelines on Corporate Governance for Licensed Institutions as well as any amendment to the BNM guidelines and circulars issued pertaining to the fit and proper criteria for a key responsible person, from time to time.

3.0 DEFINITION OF KEY RESPONSIBLE PERSON

3.1 Key responsible persons in this Policy refer to persons who are accountable or responsible for the management and oversight of the Bank. These comprise:

3.1.1 Directors

3.1.2 President & Group Chief Executive Officer

3.1.3 Senior Officers, which include:

- Any person performing a senior management function whose primary or significant responsibility is for the management and performance of significant business activities of the Bank. This includes persons who:
 - has the authority over, makes or has substantial influence in making, decisions that affect the whole or a substantial part of the Bank's business;
 - is principally accountable or responsible, whether solely or jointly with other persons, for implementing and enforcing policies and strategies approved by the Board; or
 - is principally accountable or responsible, whether solely or jointly with other persons, for developing and implementing systems, internal controls and processes that identify, measure, monitor or control the Bank's risks.

- Any person 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 Bank's internal controls, risk management and compliance systems and processes.

3.2 The key responsible persons of the Bank include but are not limited to the following:

- Directors
- President & Group Chief Executive Officer
- Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Operating Officer
- Executive Director, Corporate Banking
- Executive Director, Enterprise Banking
- Executive Director, Community Banking
- Executive Director, Group Treasury
- Chief Financial Officer
- Group Chief People Officer
- Group Chief Risk Officer
- Group Chief Credit Officer
- Group Chief Internal Auditor
- Group Chief Compliance Officer
- Chief Corporate Strategy Officer
- Chief Legal Officer & Company Secretary
- Any other key personnel as determined by the Board

4.0 FIT AND PROPER CRITERIA

In determining whether a person is fit and proper, the Bank shall consider the following:

- **Probity, personal integrity and reputation**
The person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
- **Competence and capability**
The person must have the necessary skills, experience, ability and commitment to carry out the role.
- **Financial integrity**
The person must manage his debts or financial affairs prudently.

5.0 ASSESSMENT FACTORS

The assessment of the fit and proper criteria shall comply with the standards and guidelines as specified in the BNM's Policy Document.

5.1 Probity, Personal Integrity and Reputation

- 5.1.1 Probity, personal integrity and reputation are values that are demonstrated over time. These attributes demand a disciplined and ongoing commitment to high ethical standards.

- 5.1.2 In assessing a person's level of probity, integrity and reputation to hold a key position, matters to be considered include, but not limited to the following:
- 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;
 - 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;
 - whether the person has contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies;
 - 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;
 - whether the person has been engaged in any business practice which are deceitful, oppressive or otherwise improper (whether unlawful or not), or which otherwise reflect discredit on his professional conduct;
 - 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;
 - 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;
 - 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;
 - 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, or of any licensed institution, the license of which has been revoked under any written law;
 - whether, in the past, the person has acted unfairly or dishonestly in his dealings with his customers, employers, auditors and regulatory authorities;
 - whether the person has at any time shown a strong objection or lack of willingness to cooperate with regulatory authorities and failure to comply with legal, regulatory and professional requirements and standards, including compliance with tax requirements and obligations;

- whether the person has contributed significantly to the failure of an organization or a business unit;
- 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; and
- whether the person is free from any business or other relationship which could materially pose a conflict of interest or interfere with the exercise of his judgement when acting in the capacity of a key responsible person which would be disadvantageous to the Bank or the Bank's interest.

5.2 Competence and Capability

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

5.2.2 In assessing a person's competence and capability, matters to be considered may include, but not limited to the following:

- whether the person has the 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 other commitments; and
- whether the person has satisfactory past performance or expertise in the nature of the business being conducted.

5.3 Financial Integrity

5.3.1 Financial integrity is demonstrated by a person who manages his own financial affairs properly and prudently.

5.3.2 In assessing a person's financial integrity, relevant factors to be considered may include, but not limited to the following:

- 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; and
- whether the person has been the subject of a judgement debt which is unsatisfied, either in whole or in part, whether Malaysia or elsewhere.

5.3.3 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

5.4 Health Assessment

In assessing fit & proper, the Group Board Nomination & Remuneration Committee also reviews the annual medical report of the Key Responsible Person and ascertains the medical fitness of the Key Responsible Person.

5.5 Disqualifications

5.5.1 In addition to the above, the Bank must ensure that each key responsible person as listed in the Policy is not disqualified under Section 59 (1) of FSA 2013 and Section 68 of IFSA 2013, in which:

- the person is not a bankrupt. The person has not suspended any payments, or compounded with his creditors, whether within or outside Malaysia;
- the person has not been charged for any criminal offence relating to dishonesty or fraud under any written law or the law of any country, territory or place outside Malaysia;
- the person is not prohibited from being a director of a company or in any way, whether directly or indirectly, be concerned or take part in the management of a company in Malaysia pursuant to a court order made under Section 130A of the Companies Act, 1965 and has obtained any leave of the court under the same section; or
- the person has not been imposed against any order of detention, supervision or deportation, or any form of restriction or supervision by bond or otherwise, under any law relating to prevention of crime drug trafficking or immigration.

5.5.2 In determining whether a person meets the fit and proper requirements, the considerations set out under this Policy should be assessed individually (according to their relative importance) as well as on cumulative basis. Failure to meet one indicator may not, on its own, necessarily mean failure to meet the fit and proper criteria.

5.5.3 The Bank should consider the specific circumstances surrounding a person's failure to meet specific indicators, including the lapse of time since the occurrence of events and the significance of the event from the perspective of potential risks posed to the Bank. This process will involve a good measure of judgment, which must be exercised objectively and always in the best interests of the Bank and the sound conduct of the Bank's business.

5.5.4 Considerations relevant to the assessment of the fitness and propriety of key responsible persons may vary depending on the degree of their influence and responsibilities in the affairs of the Bank.

The GBNRC and Board should consider whether there have been material changes in the nature or scope of the responsibilities assumed by an individual which would call for higher standards of competence or judgment in order to properly perform the duties associated with the said position, or which may give rise to new conflicts that could impair the individual's performance in the position.

Similarly, circumstances which warrant an individual to be considered as fit and proper may differ between positions.

6.0 FIT AND PROPER DECLARATION FORMS

- 6.1** As part of the fit and proper assessment, all key responsible persons to be appointed are required to complete the following forms prior to their appointments:
 - 6.1.1 Form of Declaration of Fit and Proper for Key Responsible Person;
 - 6.1.2 Declaration on Observance of Policy and Procedures on Fit and Proper for Key Responsible Person
- 6.2** The Forms must be supported by relevant information in relation to key responsible person. 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 Bank is to take reasonable steps within permissible written laws to verify the information against independent sources.
- 6.3** A copy of this Policy will be given to all the key responsible persons. All the key responsible persons are expected to have read and understood the contents of this Policy and shall notify President & GCEO or Chief People Officer as and when there is any breach of fit and proper criteria as set out in Clause 5.1.2 – 5.3.3 of this Policy.

7.0 PROCEDURES AND PROCESSES FOR CONDUCTING FIT AND PROPER ASSESSMENT

7.1 New Appointment or Reappointment of Key Responsible Persons

- 7.1.1 The Declaration Forms will be given to all Key Responsible Persons. The forms are to be issued read and confirmed understood, prior to appointment.
- 7.1.2 Human Resources will conduct the necessary checks to support the fit and proper attestation and forward the assessment report to GBNRC for its review, deliberation and subsequent recommendation to the Board.
- 7.1.3 Where the GBNRC and Board have assessed that a candidate is not fit and proper, the Board shall not appoint that candidate as a Key Responsible Person.
- 7.1.4 A copy of the Policy will be given to all Key Responsible Persons after their appointment. The Key Responsible Person's as part of the fit and proper assessment, shall declare that they have read and understood the contents of the Policy. It is their obligation to continue to meet the fit and proper requirement and code of conduct on an on-going basis.

7.2 Ongoing Assessment on Incumbent Key Responsible Persons

All Key Responsible Persons will be assessed annually by the GBNRC and Board.

Assessments on key responsible persons will be conducted where the GBNRC becomes aware of information that may materially compromise a key responsible person's fitness and propriety to ensure that the key responsible persons fulfil the fit and proper criteria at all times. The person will be required to complete the Forms and make a formal response to any situation that may (in reality or appearance) indicate that person to no longer be fit and proper.

7.3 Delegation of Responsibility

For senior officers, the Board and GBNRC may delegate the responsibility for fit and proper assessments and decision on appointments to the President & Group CEO or a designated committee.

7.4 Breaches of Fit and Proper Criteria

Where the GBNRC or President & GCEO has assessed that a person (including company secretary) is no longer fit and proper for a key responsible 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. Under these circumstances, the Board shall notify BNM in writing of the removal of such person.

8.0 RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND GROUP BOARD NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors and GBNRC are primarily responsible for: -

- 8.1 Establishing and approving this Policy;
- 8.2 Reviewing this Policy annually to ensure their relevance and alignment with material changes in the business and risk profile and strategies of the Bank;
- 8.3 Monitoring and ensuring the Bank's on-going compliance with this Policy as well as disclosure and reporting obligation relating to the fit and proper requirements;
- 8.4 Ensuring that key responsible persons fulfill the Bank's fit and proper requirements
- 8.5 Reviewing the list of key responsible persons as defined in the Policy and be satisfied that the list is comprehensive and has taken into account all key positions in the Bank.

9.0 RETENTION OF FIT AND PROPER ATTESTATION DOCUMENTS

- 9.1 Copies of documentation used to assess the fitness and propriety of key responsible persons will be retained by the Bank for at least 7 years.

The Bank shall safeguard the confidentiality of information collected and declaration made by Directors (through the company secretary), while Human Resources shall safeguard the confidentiality of information collected and declaration made by the President & Group CEO, senior officers and the company secretary.

- 9.2 The following information should be kept by Company Secretary (for Directors) and Human Resources (for President & Group CEO, senior officers and Company Secretary) should be made readily available for inspection by BNM upon request:

- The Bank's Policy and Procedures on Fit and Proper Assessment of Key Responsible Persons.
- List of key responsible persons within the Bank.

10. PROTECTION OF PERSONS AGAINST ANY DISCRIMINATORY ACTIONS BY THE BANK

Persons who report or disclose information that may be relevant for a fit and proper assessment to the President & Group CEO, GBNRC and Board of Directors or regulator shall not be subjected to any discriminatory actions by the Bank for providing such information.