

DIRECTORS' FIT AND PROPER POLICY

Introduction

Concrete Engineering Products Berhad ("Company") is obliged to formulate a fit and proper policy for the appointment, re-appointment and/or re-election of Directors of the Company and its subsidiaries ("Group") pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

The Directors' Fit and Proper Policy ("Policy") sets out the approach, guidelines and procedures to ensure a formal, rigorous and transparent process is being adhered for the appointment, re-appointment and/or re-election of the Directors of the Group.

Purpose

This Policy serves as a guide:

To ensure all Directors of the Group have the necessary character, experience, integrity, competence and time to effectively discharge their role as Directors of the Group; and to the Nomination Committee of the Company ("NC"), the Board of Directors ("Board") and Management of the Group in conducting the necessary assessment on candidates before appointment, or on existing Directors of the Group seeking for re-appointment and/or re-election.

Fit and proper criteria

In assessing the candidates identified to be appointed as Directors of the Group ("Candidates") and/or any existing Directors of the Group seeking for re-appointment and/or re-election ("Existing Directors"), the NC and/or the Management will take into consideration the following criteria:

A. Character and integrity

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, either in Malaysia or elsewhere.

iv) Reputation

- Is of good repute in the financial and/or 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, either in Malaysia or elsewhere.
- 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.

B. Experience and competence

i) Qualifications, training and skills

- Possesses education 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 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 management and 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, number of subordinates as well as reporting lines and delegated authorities.

iii) Relevant past performance or track record

- Had a career of occupying a high-level position in a comparable organisation, and was accountable for driving or leading the organisation's governance, business performance or operations.
- Possesses commendable past performance record as gathered from the results of the Board Effectiveness Evaluation.

C. Time and commitment

i) Ability to discharge role having regard to other commitments

- Able to devote sufficient time as a Board member, having factored other external obligations including concurrent board positions held by the Director across listed companies and/or non-listed companies (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.

Fit & Proper Assessment and Procedures

The fit and proper assessment on any Candidates or on any Existing Directors shall be conducted prior to recommending to the Board for consideration and approval.

The assessment should take into consideration the suitability of Candidates against considerations such as competencies, commitment, contribution and performance, including the current composition of Board and Board committees (where applicable), mix of skills and experiences of Directors whilst taking into account the current and future needs of the Group, boardroom diversity and other soft attributes required as Directors. The assessment should be exercised objectively in the best interests of the Group.

The evaluation will be based on the fit and proper criteria set out above. The criteria shall be assessed individually, as well as collectively, taking into account their relative importance. Failure to meet one criterion on its own does not necessarily mean failure to meet the fit and proper criteria.

Board Appointment Process

The Board appointments with recommendations provided by the Nomination Committee (NC) will source suitable candidates with the right skills and experiences to complement and support the existing Board composition based on business needs, strategic direction of the Company and good governance.

The appointment of a new Board member is subject to the following process:

- i. Identification of Skills and Experience
- ii. Sourcing of Candidates
- iii. Selection of Candidates
- iv. Assessment on Candidates
- v. NC deliberation
- vi. Interaction with Candidates
- vii. Recommendation for Board's Approval

All shortlisted candidates would be assessed by NC which includes assessment on skills competency matrix (relating to skills and experience) independency test for independent directors and integrity test under Malaysia Anti-Corruption Commission ("MACC") for all candidates.

NC or representative of NC would also have an interaction session with the potential candidates to review the suitability of the candidates against the following values of the Company, before recommending for approval on the appointment to the Board:

- i. Safe;
- ii. Honest;
- iii. Agile;
- iv. Respectful;
- v. Professional; and
- vi. Trust.

Re-appointment Process

The NC is also responsible for recommending Directors for re-appointment. In accordance with the Constitution of the Company, all newly appointed Directors are subject to re-election by the shareholders at the annual general meeting following their appointments. Additionally, at least one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of

three (3), then the number nearest to one-third ($1/3$), shall be subject to retirement by rotation at least once every three (3) years, and shall be eligible for re-appointment. The retiring Directors would be those who have been longest in office since their last appointment. This provides shareholders the opportunity to evaluate the performance of the Directors and promote effective Board members.

Directors subject to retirement by rotation pursuant to the Constitution are initially considered by the NC and recommended to the Board, taking into consideration their required mix of skills, competencies, experience and other qualities required before they are recommended for re-election by shareholders.

Board Assessment Policy

The Board performs three major roles in the Company:

1. It provides direction (i.e. sets the strategic direction of the company),
2. It controls (i.e. monitors the management) and
3. Provides support and advice (advisory role).

Board assessment typically examines these roles of the Board and the entailing responsibilities, and assesses how effectively these are fulfilled by the Board. The effectiveness of the Board depends on a variety of factors.

Evaluation methodology

Board evaluations are conducted by the Nomination Committees or with the help of outside experts, if or when required. The evaluations consist of both quantitative and qualitative parts subjected to the objective of the evaluation exercise.

The evaluation process involves identification of areas for evaluation; formulating a questionnaire on the areas for evaluation; obtaining responses of individual directors to the questionnaire on a rating scale; conducting interviews with individual directors and analysing the responses to the questionnaire and interviews; and reporting the findings resulting from the analysis to the full Board.

The Board deliberates on the report, develops an action plan and periodically reviews the progress of implementation.

Director Assessment Policy

The evaluations consist of both quantitative and qualitative parts subjected to the objective of the evaluation exercise. Director's evaluation could be a self-evaluation or a peer evaluation to cover the parameters such as the contribution of the director to the Board's strategic thinking, leadership and commitment of the director, participation in Board and Committee meetings, communication and interpersonal skills of the director, ethical issues and dilemmas faced by the director and relationship of the director with the senior management.