



(Company No. 1313166-D)  
("HHB or "the company")  
(Incorporated in Malaysia under the Companies Act, 1965)

## **POLICY ON NOMINATION AND ASSESSMENT PROCESS OF BOARD MEMBERS**

Category	<b>Corporate Governance</b>
Subject/Title	<b>Policy on Nomination and Assessment Process of Board members</b>
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## 1. PURPOSE OF THE POLICY

### Recital

Paragraph 15.08A(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) provides that the listed issuer must provide, in its annual report, a statement about the activities of the nominating committee in the discharge of its duties for the financial year. Such statement must include how the requirements set out in Paragraph 2.20A of the MMLR are met and contain the following information:

- (a) the policy on board composition having regard to the mix of skills, independence and diversity (including gender diversity) required to meet the needs of the listed issuer;
- (b) the board nomination and election process of directors and criteria used by the nominating committee in the selection process; and
- (c) the assessment undertaken by the nominating committee in respect of its board, committees and individual directors together with the criteria used for such assessment.

The Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) also recommends the following:

- (i) The nominating committee is charged with the responsibility to oversee the selection and assessment of directors.
- (ii) The nominating committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.

The nominating committee’s responsibilities include assessing and recommending to the board the candidature of directors, appointment of directors to board committees, review of board’s succession plans and training programmes for the board. In assessing suitability of candidates, considerations should be given to the competencies, commitment, contribution and performance. The nominating committee should facilitate board induction and training programmes. The nomination and election process of board members should be disclosed in the annual report.

The board should establish a policy formalising its approach to boardroom diversity. The board through its nominating committee should take steps to ensure that women candidates are sought as part of its recruitment exercise. The board should explicitly disclose in the annual report its gender diversity policies and targets and the measures taken to meet those targets.

- (iii) The board should undertake an assessment of its independent directors annually.

When assessing independence, the board should focus beyond the independent director’s background, economic and family relationships and consider whether the independent director can continue to bring independent and objective judgment to board deliberations. The nominating committee should develop the criteria to assess independence. The board should apply these criteria upon admission, annually and when any new interest or relationship develops.

The board should disclose that it has conducted such assessment in the annual report and in any notice convening a general meeting for the appointment and re-appointment of independent directors.

- (iv) Subject to the assessment of the nominating committee, the board must justify and seek shareholders’ approval in the event it retains as an independent director, a person who has served in that capacity for more than nine years.

### Purpose

The purpose of this Policy on Nomination and Assessment Process of Board Members (“**Policy**”) is to describe the process to be undertaken by HHB’s Nomination and Remuneration Committee (“**NRC**”) and Board (“**Board**”) in discharging their responsibilities in terms of the nomination, assessment and re-election of Board members in compliance with the MMLR and MCGG 2012. The Policy is administered by the NRC of HHB.

## **2. BOARD MEMBERSHIP CRITERIA**

The NRC has been delegated with the responsibilities, among others, to propose candidates to the Board and several committees of the Board (“**Board Committees**”) of HHB and to recommend the appointment and remuneration of Executive Directors, Non-Executive Directors (including Independent Directors) and Senior Management of the HHB, to the Board for final decision.

The NRC shall take into account all of the following criteria and any other criteria which the NRC deems necessary, when determining the qualifications of any candidate for Director:

(i) Integrity and Judgement

Directors should have the highest level of integrity, ethical character and the ability to exercise sound business judgment on a broad range of issues consistent with the Company’s values.

(ii) Knowledge

Directors should be financially literate and have a sound understanding of business strategy, corporate governance and board operations.

(iii) Diversity

Directors should be capable of representing the multi-cultural nature of HHB’s global operations with consideration being given to a diverse board in terms of gender, age, ethnic and cultural membership. In addition, the NRC shall take into account diversity in professional experience, skills, background and perspectives.

In considering the diversity of the Board, the NRC should also take into consideration the gender diversity as stipulated in the Company’s Gender Diversity Policy.

*Corporate Governance Blueprint 2011 – Towards Excellence in Corporate Governance issued by the Securities Commission, Malaysia, stipulates a goal for women participation on boards to reach 30% by 2016.*

(iv) Commitment

Directors should devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills. While the Board would not specify the actual time commitment for the membership in the Company’s Board and Board Committees, the Directors appointed are expected to have active participation in, meetings of the Board and the Board’s committees of which he/she is a member, and not have other personal or professional commitments that would, in the NRC’s sole judgment, interfere with or limit his/her ability to do so.

A director should not hold more than 5 directorship in listed issuers to ensure that he/she would be able to devote sufficient time and commitment to the Company (Reference: Paragraph 15.06 of MMLR).

(v) Independent judgement

Directors who are not the existing or former management should meet the spirit as well as the letter of the applicable independence standards. In addition, all Directors should be independent in their thought and judgment so that they represent the long-term interests of all shareholders of the Company.

(vi) Performance and Contribution

Directors are expected to contribute positively to the Board as a whole in leading the Company towards achievement of its mission, vision and strategies. For the proposed candidate, this will be assessed through his/her skills, previous experience and accomplishments, etc.

(vii) Experience and Accomplishments

Directors should have significant experience and proven superior performance in professional endeavours whether this experience is in business, government, academia or with non-profit organizations.

(viii) Board Interaction

Directors should value board and team performance over individual performance, demonstrate respect for others and facilitate superior board performance. Directors must be able to develop a good working relationship with other Board members and contribute to the Board's working relationship with Senior Management of the Company.

(ix) Any other criteria deemed fit

### **3. BOARD SIZE AND COMPOSITION**

The Board must be of such composition and size that they facilitate the making of informed and critical decisions. Unless otherwise determined by the Company in general meeting, the number of Directors must not be less than three (3) nor more than fifteen (15).

The Board composition should comprise at least 2 directors or 1/3 of the board of directors, whichever is the higher, independent directors in compliance with Paragraph 15.02 of the MMLR. If the number of directors of the listed issuer is not 3 or a multiple of 3, then the number nearest 1/3 must be used.

The board must comprise a majority of independent directors where the chairman of the board is not an independent director to adhere to the recommendation stated in MCG 2012. Where there is non-adherence, the Board shall justify accordingly and report the same in the annual report.

### **4. APPOINTMENT OF NEW DIRECTORS**

The NRC is responsible for recommending identified candidates to the Board to fill vacancies arising from resignation, retirement or any other reasons or if there is a need to appoint additional directors with the required skill or profession to the Board in order to close the competency gap in the Board as identified by the NRC. The potential candidate may be proposed by existing Directors, Senior Management staff, shareholders or third party referrals.

Upon receipt of the proposal, the NRC is responsible for conducting an assessment and evaluation of the proposed candidate. The assessment/evaluation process may include, at the NRC's discretion, reviewing the candidate's resume, curriculum vitae and other biographical information, confirming the candidate's qualifications and conducting legal and other background

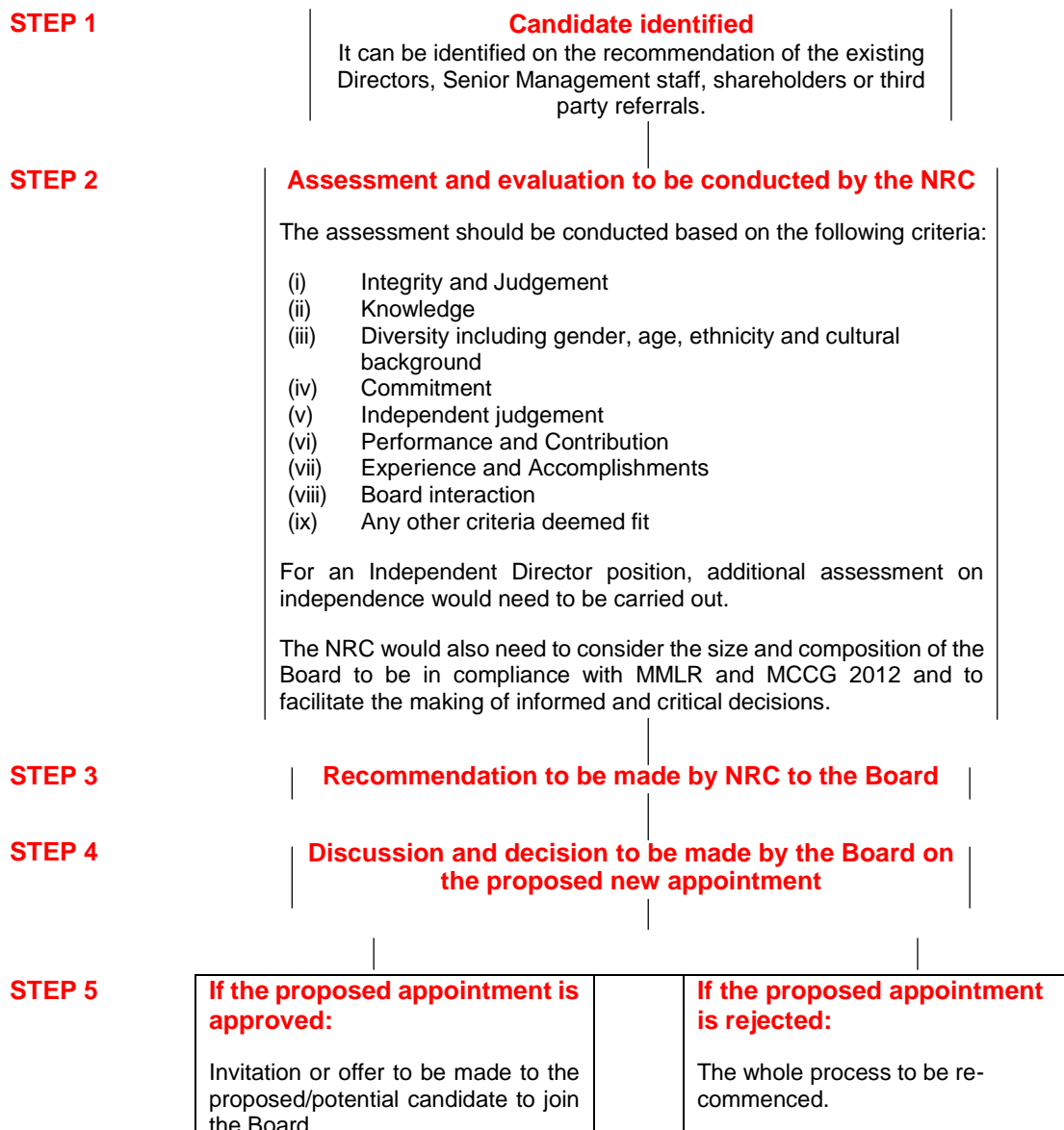
searches as well as a formal or informal interview. The NRC would also assess the proposed candidate based on the criteria as set out in Section 2 above or any other criteria which the NRC deems appropriate.

For an Independent Director position, additional assessment on independence based on **Appendix I** attached herewith would need to be carried out.

Upon completion of the assessment and evaluation of the proposed candidate, the NRC would make its recommendation to the Board. Based on the recommendation of the NRC, the Board would evaluate and decide on the appointment of the proposed candidate.

The Chairman of the Board would then make an invitation or offer to the proposed/potential candidate to join the Board as a Director. With the acceptance of the offer/invitation, the candidate would be appointed as Director of the Company subject to the necessary documentation and filings required under the MMLR and Companies Act, 1965 (“CA”).

The process for the appointment of new director is summarised in the diagram below:



## **5. ANNUAL ASSESSMENT OF EXISTING DIRECTORS**

The NRC will conduct an assessment annually in respect of the Board, Board Committees and individual Directors. The relevant assessment forms would be circulated to all/part of the Directors, as the case maybe, for completion and the NRC will discuss the findings and make necessary recommendations (such as re-election, re-appointment, etc.) to the Board in relation thereto. Samples of the relevant assessment forms are attached herewith as **Appendix III**. Such forms will be reviewed and revised from time to time as and when necessary).

The NRC, in carrying out the annual assessment, should consider the Company's performance, the Board's performance as a whole and that of its individual directors. The criteria used for the annual assessment could be based on the similar criteria as stipulated in Section 2 above and reference made to the Board Charter of the Company, especially on the sections relating to the Board, the roles and responsibilities of a Director, the roles of the Chairman and the Managing Director and Board Committees.

The NRC should ensure that the annual assessment is being conducted effectively towards ensuring that the Board composition meets the needs of the Company.

### Training

Upon assessing the Board and Board Committee(s) in each financial year, the NRC shall propose the relevant training requirements for the Board members in the next financial year.

## **6. ASSESSMENT ON INDEPENDENCE OF DIRECTORS**

### **6.1 Annual Assessment**

The NRC will conduct an annual assessment on the independence of the Independent Directors of the Company based on the criteria as set out in the MMLR, MCGG 2012 and any other relevant rules and regulations. Each individual Independent Director would be required to make a declaration on the compliance of the criteria of Independent Director by completing the independence checklist as per **Appendix I**. All other Directors would be required to complete the Assessment Form – Independent Director as per **Appendix II** in order to assess the independence of the particular Independent Director.

### **6.2 Independent Director who has served more than 9 years**

An Independent Director who has served as a Board member for a term of more than nine (9) years (consecutively or cumulatively), shall be re-designated as Non-Independent Director, if he/she continues to serve as a Board member. If the Company wishes to retain such Director as an Independent Director, the Board is required to provide strong justifications to shareholders for their approval at a general meeting in order to do so.

### **6.3 Assessment process of NRC**

The NRC and Board, in its evaluation of the Independent Directors, must give effect to the spirit, intention and purpose of the definition of 'Independent Director' in the MMLR. If a person does fall within any of the paragraphs of the said definition, it does not mean that the person will automatically qualify to be an independent director. The director concerned as well as the board of directors of the Company must still apply the test of whether the said director is able to exercise independent judgement and act in the best interests of the Company.

Upon completion of the assessment process, the NRC will make the necessary recommendations to the Board for final decision.

## **7. APPLICATION**

The principles set out in this Policy shall be:

- (a) kept under review and updated as practices on corporate governance develop and further guidelines on corporate governance are issued by the relevant regulatory authorities;
- (b) applied in practice having regard to their spirit and general principles rather than to the letter alone; and
- (c) disclosed in the Annual Report as part of a narrative statement by the Directors on corporate governance.

The NRC and the Board endeavour to comply at all times with the principles and practices set out in this Policy.

At any one time, should the MMLR or the CA be amended for any reason whatsoever, the amendment of which affects the contents of this Policy, the amended MMLR or CA shall take precedence over the Policy.