

FIT AND PROPER POLICY AND PROCEDURES

1. Introduction

Mercury Securities Group Berhad (“**MSGB**” or the “**Company**”) is committed to adopt the best practice in corporate governance. Towards this, the Company shall formulate policy and processes to ensure that the persons holding key responsibility positions are indeed to be eligible to hold such a position. To comply with the obligations under the Rule 15.01A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”), the Company is required to:

- a) have a fit and proper policy for the appointment and re-election of directors of the listed corporation and its subsidiaries;
- b) ensure the policy addresses board quality and integrity and will aid the listed corporation to comply with Rule 2.20A of these requirements; and
- c) make available the policy on its website.

2. Scope and Purpose of Fit and Proper Policy and Procedures

The scope of the Fit and Proper Policy and Procedures (“**Policy**”) is applicable to “Key Responsible Persons” which shall include *inter-alia*, directors of MSGB and its subsidiaries (“**Group**”), chief executive, chief operating officer and chief financial officer.

The Key Responsible Persons shall possess character, integrity, experience, competence and time to effectively discharge their role in tandem with good governance practices as encapsulated in the Corporate Governance Guide issued by Bursa Securities, Malaysian Code on Corporate Governance issued by the Securities Commission Malaysia (“**SC**”) and the Listing Requirements, including amendments from time to time.

Accordingly, the Company must prudently manage the risks of its business and financial position that persons acting in Key Responsible Person positions are fit and proper.

The Board takes cognizant that non-observance of this Policy by the Key Responsible Persons covered under this Policy could place the interests of shareholders and other stakeholders at risk.

Implementation of this Policy which is an integral part of the Company’s risk management policy will assist the Company to manage any risk that individuals who hold position of responsibility do not have the level of fitness and propriety required to undertake their role.

The purpose of this Policy is to set out the Company’s approach to the assessment of the fitness and propriety of person who hold, or who are to be appointed or elected to, a Key Responsible Person position.

3. Responsibility

The Board and the Nomination Committee are primarily responsible for ensuring that all Key Responsible Persons fulfill fit and proper requirements and for conduction assessment of the fitness and propriety.

The Board is committed to ensuring that each person who holds a Key Responsible Person position has the appropriate competencies and capabilities as well as experience commensurate with the role that they hold, and will make all final determinations of the fitness and propriety of the person.

4. Nomination Committee (“NC”)

The NC (with the assistance of the Managing Director and other key senior management, where appropriate) is responsible for the assessment of existing directors or candidates for nomination or appointment as a director of the Company or its subsidiaries, chief executive, chief operating officer and chief financial officer of the Company, and making recommendations to the Board on these matters.

The NC shall conduct the assessment of fitness and propriety of existing Key Responsible Person at least once annually. The NC shall inform the Board for decision in the event of any breaches by any Key Responsible Person arising from the assessment.

5. Compliance Responsibility

The Head of Compliance is responsible for applying the procedures of this Policy to:

- a) ensure that appropriate fit and proper assessment are conducted for each Key Responsible Person;
- b) make submissions about any matters that are relevant to a particular assessment of a Key Responsible Person’s fitness and propriety;
- c) provide information to the NC on matters concerning the procedure for fit and proper assessment; and
- d) ensure that the Company takes all reasonable steps to protect the information and documents collected for fit and proper assessments from misuse, unauthorised access, modifications or disclosure.

6. Required Notification

The Head of Compliance must keep and maintain a current list of all Key Responsible Person position, in addition to details of the competencies and training required for each Key Responsible Person position. The NC must approve the list of Key Responsible Person position maintained by the Head of Compliance and any changes to that list.

As soon as practicable after a person is nominated or proposed for election or appointment to a Key Responsible Person position, the Company will make available to that person a copy of this Policy and the details of the competencies, capabilities and training required for the relevant Key Responsible Person position. This Policy will also form part of the induction process for all Key Responsible Person.

The Company will also take reasonable steps to ensure that each responsible person is aware of, and fully understands this Policy, and receives a copy of this Policy before any assessment of their suitability to hold a Key Responsible Person position is conducted.

7. Fit and Proper Criteria

For the purpose of establishing whether a person is fit and proper to hold a Key Responsible Person position, the Company shall have regard to the person's:

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

The assessment of the above criteria shall have regard to the considerations set out below in Paragraph 7.1 to 7.3 of this Policy.

7.1 Probity, Personal Integrity and Reputation

In assessing a person's level of probity, integrity and reputation to hold a position of a Key Responsible Person, the NC should consider matters including but not limited to the following:

- (i) whether the person is or has been the subject of any proceeding of a disciplinary or criminal nature, or has been notified of any impending proceedings or of any investigations, which might lead to such proceedings;
- (ii) 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;
- (iii) whether the person has contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies;
- (iv) 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;

- (v) whether the person has been engaged in any business practices which are deceitful, oppressive or otherwise improper (whether unlawful or not), of which otherwise reflect discredit on his professional conduct;
- (vi) 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;
- (vii) whether the person has been associated, in ownership or management capacity, with a company, partnership or other business association that has been refused registration, authorisation, membership or a license to conduct any trade, business or profession, or has had that registration, authorisation, membership or license revoked, withdrawn or terminated;
- (viii) 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 the business;
- (ix) 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;
- (x) whether, in the past, the person has acted unfairly or dishonestly in his dealings with his customers, employer, auditors and regulatory authorities;
- (xi) 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;
- (xii) whether a person has contributed significantly to the failure of any organisation or a business unit;
- (xiii) whether the person has at any time shown objection or a lack of willingness to maintain effective internal control systems and risk management practices;
- (xiv) 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 Company's interest; and
- (xv) whether the person has not been the subject of civil or criminal proceedings or enforcement action, in managing or governing an entity for the past 10 years.

7.2 Competence and Capability

Competence and capability are demonstrated by a person who possesses the relevant competence, experience and ability to understand the technical requirements of the business, understanding of corporate governance and sustainability issues, the inherent risks and the management processes required to perform his role as a Key Responsible Person in the relevant capacity effectively.

In assessing a person's competence and capability, the Nomination Committee should consider matters including, but not limited to the following:

- (i) whether the person has the appropriate qualification, training, skills, knowledge, practical experience, time and commitment to effectively fulfill the role and responsibilities of the position and in the case of directors, having regard to their other commitments; and
- (ii) whether the person has satisfactory past performance or expertise in the nature of the business being conducted.

In this regards, the examples of competence and capabilities are as follows:

- (i) the person must possess the necessary experience in any of the following industry:
 - Capital markets (equity and debts)
 - Commercial or investment banking
 - Stockbroking and related activities
 - Asset management
 - Corporate finance
 - Internal control and enterprise risk management
 - Accounting and financial reporting
 - Economics and taxation
- (ii) the person must possess the necessary functional/technical expertise in any of the following areas:
 - Stockbroking - operations or dealing
 - Corporate finance
 - Internal controls and enterprise risk management
 - Regulatory requirements relating to stockbroking and corporate finance
 - Financial reporting including the understanding the relevant MFRS, Listing Requirements and Companies Act 2016
 - Accounting and budgeting
 - Sales and Marketing
 - Customers' relationship management
 - Legal
 - Information Technology
 - Human Resource

7.3 Financial Integrity

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

In assessing a person's financial integrity, the NC must consider relevant factors including but not limited to the following:

- (i) whether the person has been and will be able to fulfill his financial obligations, whether in Malaysia or elsewhere, as and when they fall due; and
- (ii) 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.

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.

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DECLARATION FORM FOR KEY RESPONSIBLE PERSON

Strictly Private & Confidential

I, _____

NRIC No.: _____

residing at _____

do hereby solemnly affirm and declare the followings:

		Yes	No
Probity, Personal Integrity and Reputation			
(i)	Whether you are or have been the subject of any proceeding of a disciplinary or criminal nature, or has been notified of any impending proceedings or of any investigations, which might lead to such proceeding: For example provisions from Whistle Blower Protection Act 2010 or any breach of trust.		
(ii)	Whether you have 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. For example provisions from the Criminal Procedure Code or Capital Markets and Services Act 2007 or Companies Act 2016.		
(iii)	Whether you have contravened any of the requirements and standards of a regulatory body, professional body, government or its agencies. For example provisions of the Listing Requirements or Rules of Bursa Securities.		
(iv)	Whether you or any business in which you have 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.		
(v)	Whether you have been engaged in any business practices which are deceitful, oppressive or otherwise improper (whether unlawful or not), or which otherwise reflect discredit on your professional conduct.		
(vi)	Whether you have 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 your honesty and integrity.		
(vii)	Whether you have been associated, in ownership or management capacity, with a company, partnership or other business association that has been refused registration, authorisation, membership or a licence to conduct any trade, business or profession, or has had that registration, authorisation, membership or licence revoked, withdrawn or terminated.		

		Yes	No
(viii)	Whether you have held a position of responsibility in the management of a business that has gone into receivership, insolvency or involuntary liquidation while you were connected with that business.		
(ix)	Whether you have 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 by any licensed institution, the licence of which has been revoked under any written law (e.g. Companies Act 2016).		
(x)	Whether, in the past, you have acted unfairly or dishonestly in your dealings with customers, employer, auditors and regulatory authorities.		
(xi)	Whether you have 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 with tax requirements and obligations.		
(xii)	Whether you have contributed significantly to the failure of any organisation or a business unit.		
(xiii)	Whether you have at any time shown strong objection or a lack of willingness to maintain effective governance, sustainability (i.e. ESG) matters, internal control systems and risk management practices.		
(xiv)	Whether you are free from any business or other relationship which could materially pose a conflict of interest or interfere with the exercise of your judgement when acting in the capacity of a key responsible person which would be disadvantageous to the Company		
(xv)	Whether you have not been the subject of civil or criminal proceedings or enforcement action, in managing or governing an entity for the past 10 years.		
Competence and Capability			
(i)	Whether you believe that you have the competencies and capabilities as stipulated in paragraph 7.2 of the Policy to effectively discharge your role.		
(ii)	Have there been any changes to your employment or professional history from the previous details provided to the Company.		
(iii)	Since the last annual declaration, whether you obtained any tertiary qualification or undertaken any formal training in the previous 12 months.		
Financial Integrity			
(i)	Whether you have been and will be able to fulfill your financial obligations, whether in or outside Malaysia, as and when they fall due.		
(ii)	Whether you have been the subject of a judgment debt which is unsatisfied, either in whole or in part, whether in or outside Malaysia. For example Have you been adjudged as a bankrupt or involved in a bankruptcy proceeding.		

I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960. I further authorise the Company to conduct relevant searches with the relevant authorities and other publicly available sources including searches with the Companies Commission of Malaysia, Securities Commission Malaysia and Department of Insolvency.

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(Signature of the Key Responsible Person making the declaration)

Name:..... Date:.....

in the presence of :

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(Signature of the Head of Compliance)

Name:..... Date:.....