



Policies Governing the Board of Directors

Introduction

In formulating these policies, reference has been made to the Board Charter, Code of Conduct & Ethics, and the relevant provisions of the Malaysian Code on Corporate Governance 2012 and any later revisions thereto which may be issued from time to time (“the Code”).

1. SELECTION AND APPOINTMENT PROCESS FOR NEW DIRECTORS

i) The relevant provisions of the Code are as follows:

Recommendation 2.2

The Nominating Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors.

Commentary

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.

ii) Upon the existence of a casual vacancy or upon the decision of the Board to invite an additional director to the Board, the following process shall be followed:

- a) The existing directors shall examine the current composition of the Board and pre-define the desired characteristics or profile of the new director.
- b) In so doing, the Board shall:
 - consider the kinds of professional qualification, skillsets, industry experience and profile that the new director should have, in order to preserve an all-rounded and balanced board. The Board is supporting of gender and ethnicity equality; and
 - consider and discuss other pertinent or relevant factors that may arise.



- c) The existing directors may then propose the name of any potential candidate to the Chairman of the Board, from:
- their own personal contacts; and/or
 - a registry of directors, such as that maintained by the NAM Institute for the Empowerment of Women Malaysia (NIEW) at <http://www.wcdregistry.com>, or the Malaysian Alliance of Corporate Directors at <http://www.macd.org.my>.
- d) The Chairman of the Board shall, within a specified timeframe, disclose the names of the potential candidates that have been nominated, to all Board members.
- e) The board members shall then decide to whom the invitation should be issued, based on its consideration of the relevant factors.
- f) The Chairman of the Board or any individual director may approach the potential candidate to gauge his/her interest in being appointed to the Board of the Company.
- g) If the potential candidate indicates his agreement to be appointed to the Board of the Company, the Chairman of the Board or any individual director shall communicate the same to the other directors and the Company Secretary.
- h) The Company Secretary shall then prepare the necessary documentation which shall include:
- a letter of appointment addressed to the new director setting out the terms of the appointment and the expected time commitment required from him/her;
 - the relevant company forms; and
 - announcement templates to enable the Company to make the necessary announcements to Bursa.

2. ASSESSMENT OF INDEPENDENCE

- i) The relevant provisions of the Code are as follows:

Recommendation 3.1

The board should undertake an assessment of its independent directors annually.

Commentary

Independent directors bring independent and objective judgment to the board and this mitigates risks arising from conflict of interest or undue influence from interested parties. The existence of independent directors on the board by itself does not ensure the exercise of independent and objective judgment as independent judgment can be compromised by, amongst others, familiarity or close relationship with other board members.

Therefore, it is important for the board to undertake an annual assessment of the independence of its independent directors. 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.

- i) The Board has developed the following criteria for the assessment of initial and ongoing independence, based on the definition set out pursuant to the Main Market Listing Requirements ("MMLR"):

Criteria

- An Independent Director means a director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of an applicant or a listed issuer.

- An independent director is one who -
 - a) is not an executive director of the applicant, listed issuer or any related corporation of such applicant or listed issuer (each corporation is referred to as "said Corporation");
 - b) has not been within the last 2 years and is not an officer (except as a non-executive director) of the said Corporation;
 - c) is not a major shareholder the said Corporation;
 - d) is not a family member of any executive director, officer or major shareholder of the said Corporation;
 - e) is not acting as a nominee or representative of any executive director or major shareholder of the said Corporation;
 - f) has not been engaged as an adviser by the said Corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said Corporation under such circumstances as prescribed by the Exchange; or
 - g) has not engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the applicant or listed issuer) which has engaged in any transaction with the said Corporation under such circumstances as prescribed by the Exchange.

- ii) The aforesaid criteria shall be applied by the Board in the following instances:
 - admission of a new independent director
 - annually



- as and when a new interest or relationship develops.
- iii) In applying the above criteria, the Board must give effect to the spirit, intention and purpose of the said definitions. If a person does not fall within any of paragraphs (a) to (g) 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 applicant or listed corporation must still apply the test of whether the said director is able to exercise independent judgment and act in the best interests of the applicant or listed corporation as set out in the said definition.
- iv) On an annual basis, each individual director shall submit to the Board, a declaration of ongoing independence based on the provisions of the MMLR. See Appendix A for the sample declaration form.

3. INDUCTION PROGRAMMES FOR NEW DIRECTORS

- i) The relevant provisions of the Code are as follows:

Recommendation 3.2, Principle 3

Commentary

...[]...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.

A new director shall, upon acceptance of his appointment to the Board, be enrolled in an induction programme whereby:

- i. The **Chairman of the Board** briefs him/her on his/her responsibilities as a whole;
- ii. The **Managing Director and Executive Directors** brief him/her on the Company's:
- a) mission and vision;
 - b) business;
 - c) operations;
 - d) financial position; and
 - e) organizational structure.
- iii. The **Company Secretary** briefs him/her on the relevant regulatory and company secretarial matters, and furnishes him/her with a copy of the Board Charter and the Code of Conduct.

4. TRAINING AND CONTINUING EDUCATION PROGRAMMES FOR DIRECTORS

Introduction:

- a) Recommendation 4.2, Principle 4 of the Code states as follows:



The board should ensure its members have access to appropriate continuing education programmes. In a dynamic and complex business environment, it is imperative that directors devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning. This will enable directors to sustain their active participation in board deliberations.

b) In implementing the above, the Company shall facilitate the attendance of any training programme, course or seminar by any director, for the purposes of continuing education and training. There are two (2) mechanisms shall be applicable in the above connection:

-On the recommendation of the Nomination Committee (“NC”)

- The NC shall periodically conduct a training needs analysis on behalf of the Board.
- In so doing, the NC shall have regard to the results of performance appraisals and other relevant considerations, in assessing whether any of the directors should undergo any specific type of training and if so, in what areas.
- In the event the NC wishes to recommend a particular area of training for a particular director, the NC shall communicate with the director concerned.
- A suitable training programme/course/seminar for the above purposes may then be identified, either by the NC or by the director concerned.
- The Company shall make the necessary arrangements for the director to attend the training, including payment of registration fees and other matters.

-At the request of any director

- Any director may identify a training programme/course/seminar which he/she believes would be relevant to his/her continuing education and professional development, and notify the Company accordingly.
- The Company shall make the necessary arrangements for the director to attend the training, including payment of registration fees and other matters.

5. ACCEPTANCE OF NEW DIRECTORSHIPS

Introduction

In accordance with Recommendation 4.1 Principle 4 of the Malaysian Code on Corporate Governance 2012, the following set of procedures governs the acceptance of a new directorship whether of a private limited or public listed company, by any director of the Company (“Proposed Directorship”).

Recommendation 4.1

The board should set out expectations on time commitment for its members and protocols for accepting new directorships.



Commentary

Directors should devote sufficient time to carry out their responsibilities. The board should obtain this commitment from its members at the time of appointment. Directors should notify the chairman before accepting any new directorship. The notification should include an indication of time that will be spent on the new appointment.

1. Prior to the acceptance of a Proposed Directorship, a director shall notify the Chairman of the Board of Directors of the Company, of the following matters:

- a) his/her intention to accept the Proposed Directorship;
- b) an indication of time that will be spent on the Proposed Directorship;
- c) his/her confirmation that he/she does not already sit on the Boards of five (5) public listed companies.

2. The Chairman of the Board shall consider the notification, and, taking into account;

- a) the existing number of boards of public and private limited companies on which the Director currently sits;
- b) the Director's current workload in relation to the number of Board committees of the Company on which he/she sits; and
- c) any other factor that the Chairman of the Board may deem relevant;

the Chairman of the Board may agree or disagree to the Proposed Directorship.

3. In the event the Chairman of the Board agrees to the Proposed Directorship, the Director shall immediately notify the Company Secretary of the necessary details, and the Company Secretary shall prepare the necessary documentation including the requisite company forms.

4. In the event the Chairman of the Board does not agree to the Proposed Directorship for any reason, the matter shall be tabled before the Board as a whole for further discussion at the next meeting of the Board of Directors.

6. REMUNERATION OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Introduction

In accordance with Recommendation 2.2 and 2.3 of Principle 2 of the Malaysian Code on Corporate Governance, the Board should develop, maintain and review:

- a) *the criteria to be used in the ...[]...annual assessment of directors; and*
- b) *transparent policies and procedures governing remuneration in order to attract, retain and motivate directors.*



A. Policies governing the annual assessment and remuneration of Non-Executive Directors

- Each director undertakes a performance appraisal on himself individually, and on the Board as a whole, on an annual basis.
- Once completed, the appraisal forms are forwarded to the Company Secretary and the results are tabulated. The tabulated results are then forwarded to the Chairman of the Board.
- The performance appraisal covers, *inter alia*, the following:
 - a) The director's will and ability to critically challenge board decisions and to ask the right questions, where needed;
 - b) The director's character, and integrity levels when dealing with potential conflict of interest situations;
 - c) The director's level of commitment and willingness to carry out due diligence activities where needed; and
 - d) The director's confidence and ability to stand up and defend a position that he/she believes in.
- At the point of appointment to the Board or on a yearly basis once the director has been appointed, a recommendation pertaining to the Directors' fee is made by the Senior Management of the Company, to the RC.
- The recommendation is made based on (i) the amount of time commitment the Director concerned channels towards the Company; (ii) the expertise and skills that the Director concerned brings to the Board; (iii) the business strategy and long-term objectives of the Company, and (iv) the number of Board Committees that the Director in question sits on, as well as in what capacity (ie. Chairman, or ordinary member).
- The RC then considers the proposed figure, against its own independent re-assessment of the factors listed above.
- In the event the RC is in agreement with Senior Management on the proposed figure, the RC recommends the figure to the Board for approval.
- The Chairman of the Board will also take into consideration, the performance of the said Director as reflected in the individual and collective performance appraisals undertaken by the Board as a whole and each director respectively.
- Once approved by the Board, the figure is recorded, and the approval of shareholders is obtained at the next AGM of the Company.
- Allowable claims and allowances for Independent Directors shall include all transportation and accommodation costs incurred in connection with attending board and board committee meetings.

Note : No Director shall participate in any discussion on his/her own remuneration.



B. Policies governing the annual assessment and remuneration of Executive Directors

- The Executive Director undertake a self-appraisal on an individual basis, once a year. The results are forwarded to the Managing Director, who reviews and comments on the same. The results and the Managing Director's comments, are then forwarded to the Chairman of the Board.
- The Managing Director also undertakes a self-appraisal, once a year. Once completed, the appraisal forms are forwarded to the Company Secretary and the results are tabulated. The tabulated results are then forwarded to the Chairman of the Board.
- The Chairman of the Board then reviews the results and considers whether the current remuneration package of the Executive Directors (whether under a Service Contract or an Employment Contract) should be revised or retained at status quo.
- The remuneration package of the Executive Director concerned is then tabled for approval of the RC and subsequently, the Board. At Board level, the Chairman of the Board makes such observations or comments as he/she may deem fit.

7. APPOINTMENT AND REMUNERATION OF SENIOR MANAGERS

a). Definition of Senior Manager

In accordance with the guidelines pursuant to Item 3.11 of the Frequently Asked Questions on the Malaysian Code on Corporate Governance (**Revised February 2018**) issued by the Securities Commission at https://www.sc.com.my/wp-content/uploads/eng/html/cg/mccg_faq_180214.pdf, the Board has adopted the definition of a Senior Manager as follows:

3.11 The top 5 senior management should refer to the top 5 highest paid senior management members. This means that there are 2 criteria to be fulfilled for purposes of determining the top 5 senior management in Practice 7.2 as follows:

*a) First, the person must be a senior management member ie. one who generally **holds the highest level of management responsibility and decision-making authority within the listed company**. This would typically include the CEO (who is not a director) the other C-suites or persons directly reporting to the CEO; **and***

*b) **Such person must be the highest paid**. This criterion is useful as it provides the listed company with some objectivity and certainty in determining who the affected senior management members are for purposes of applying the Practice.*

b). Appointment of Senior Managers

1) Senior Managers shall be appointed according to, *inter alia*, the following criteria:

- a) Number of years' working experience;
- b) Number of years' working experience in the Company/Group;



- c) Qualifications;
- d) Specific skillsets and areas of expertise, especially in the areas of the Company's specific business operations;
- e) Work ethic;
- f) Aptitude;
- g) Leadership skills;
- h) Ability to lead and motivate teams; and
- i) Other ad-hoc criteria to be determined by the Management and the Board of Directors on a case-by-case basis.

2) In selecting and appointing Senior Managers, gender and ethnic diversity should not be the main consideration as the Board is supportive of gender and ethnicity equality.

c). Remuneration of Senior Managers

i) The remuneration of Senior Managers shall be determined by the Executive Directors.

ii) Factors and criteria to be taken into account when determining the remuneration of Senior Managers, or any change to their existing remuneration, by the Executive Directors are, *inter alia*, as follows:

- a) Number of years' working experience;
- b) Number of years' working experience in the Company/Group;
- c) Qualifications;
- d) Specific skillsets and areas of expertise, especially in the areas of the Company's specific business operations;
- e) Work ethic;
- f) Aptitude;
- g) Leadership skills;
- h) Ability to lead and motivate teams;
- i) The average salary of a similarly-qualified manager in other companies of the same size and in the same industry; and
- j) Other ad-hoc criteria to be determined on a case-by-case basis.

Approved on: 21 May 2018



APPENDIX A : SAMPLE ANNUAL DECLARATION OF CONTINUING INDEPENDENCE

LATITUDE TREE HOLDINGS BERHAD

(Company No. 302829-W)
(Incorporated in Malaysia)

ANNUAL DECLARATION OF CONTINUING INDEPENDENCE

I, the undersigned, hereby declare to the Board of Directors of Latitude Tree Holdings Berhad (“the Company”) that at all times during the financial year commencing 1 July [].....and ending 30 June [], I was and remain to date, an independent director pursuant to the definitions and provisions of the Main Market Listing Requirements and all amendments thereto valid and in effect as at the date of this declaration.

I hereby declare that :

- a) I am not an executive director of the applicant, listed issuer or any related corporation of the Company ;
- b) I have not been within the last 2 years and am not an officer (except as a non-executive director) of the Company;
- c) I am not a major shareholder the Company;
- d) I am not a family member of any executive director, officer or major shareholder of the Company;
- e) I am not acting as a nominee or representative of any executive director or major shareholder of the Company;
- f) I have not been engaged as an adviser by the Company under such circumstances as prescribed by the Exchange or am not presently a



partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the Company under such circumstances as prescribed by the Exchange; and/or

- g) I have not engaged in any transaction with the Company under such circumstances as prescribed by the Exchange or am not presently a partner, director or major shareholder, as the case may be, of a firm or corporation which has engaged in any transaction with the Company under such circumstances as prescribed by the Exchange.

Signed by:

(Signature)

(Name in block letters)

(NRIC No.)