

PADINI HOLDINGS BERHAD
POLICY ON NOMINATION, ASSESSMENT AND RE-ELECTION OF BOARD MEMBERS

1. PURPOSE OF THE POLICY

The purpose of this policy on the Nomination, Assessment and Re-Election of Board Members ("Policy") is to describe the process to be undertaken by the Nominating and Remuneration Committee ("NRC") and the Board of Directors ("Board") of Padini Holdings Berhad ("Padini" or "Company") in discharging their responsibilities in terms of the nomination, assessment and re-election of Board members in compliance with the stipulations of the Company's Board of Directors Charter ("Board Charter"), Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR") and the recommendations under the Malaysian Code on Corporate Governance ("MCCG"). The Policy is administered by the NRC.

2. BOARD MEMBERSHIP CRITERIA

The NRC has been delegated with the responsibilities, among others, to oversee the selection of candidates to the Board and the committees of the Board ("Board Committees") of Padini and to recommend the appointment and remuneration of Executive Directors, Non-Executive Directors (including Independent Directors) and Key Senior Management of the Padini Group, to the Board for final decision. All candidates for appointment to the Board must fulfil the requirements prescribed under the relevant laws and regulations for appointment as director.

In assessing the suitability of a candidate which will be based on merit, the NRC will take into consideration the following criteria which underpin the formulation of a fit and proper policy for the appointment and re-election of a director as contained in Practice 5.5 MCCG and any other criteria which the NRC deems necessary, when determining the qualifications of any candidate for Director :-

2.1 Integrity, Professionalism and Judgement

A Director should have the highest level of integrity, professionalism and ethical character to be able to exercise sound business judgement on a broad range of issues consistent with the Company's values. In this respect a Director :-

Probity

- should be compliant with legal obligations, regulatory requirements and professional standards.
- has not been obstructive, misleading or untruthful in dealings with regulatory bodies or in a court.

Personal Integrity

- must not have perpetrated or participated in any business practices which are deceitful, on his professional conduct.
- service contract (i.e. in the capacity of management or director) has 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.

Financial Integrity

- is able to manage personal debts and financial affairs satisfactorily.
- is able demonstrate ability to fulfil personal financial obligations as and when they fall due.

Reputation

- must be of good repute in the financial community.
- has not been the subject of civil or criminal proceedings or enforcement actions in managing or governing an entity for the past 10 years.
- 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.

2.2 Competencies, Skills and Knowledge

A Director should possess competencies that meet the needs of the Company, be financially literate and have a sound understanding of business strategy, corporate governance and board operations. In particular a Director :-

- possesses education qualification that is relevant to the skill set that the director is earmarked to bring to bear onto the board room (i.e. a match to the board skill set matrix).
- has 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 development.
- possesses leadership capabilities and a high level of emotional intelligence.

2.3 Diversity

A Director should be capable of adding, improving or broadening board diversity in terms of gender, age, professional experience, skills and perspective.

In considering gender diversity, the NRC should take into consideration the Board Charter which stipulates that at least 30% of its members must be female.

2.4 Time Commitment and Effort, Ability to discharge role having regard to other commitments

A Director must be able to devote time as a board member, having factored other outside obligations including other concurrent board positions held by the director across listed issuers and non-listed entities (including not-for-profit organizations).

While the Board would not specify the actual time commitment for the membership in the Company's Board and Board Committees, the Director appointed is 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 judgement, interfere with or limit his/her ability to do so.

The Board Charter stipulates that a director should not hold more than 5 directorships in listed issuers on the Bursa Malaysia. This is to ensure that he/she would be able to devote sufficient time and commitment to the Company.

2.5 Independent Judgement

All Directors should be independent in their thought and Judgement so that they represent the long term interests of all shareholders of the Company. In particular a Director :-

- exhibits open mindedness to the views of others and ability to make considered judgement after hearing the views of others.

2.6 Contribution, Board Interaction and Leadership

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

- 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.

Board Interaction

- places board and team performance over individual performance.
- demonstrates respect for other Board members and facilitates synergistic board performance.
- develops a strong working relationship with other Board members.
- contributes to the Board's working relationship with Senior Management of the Company.

2.7 Experience

A Director should have sufficient experience in professional endeavours whether this experience is accumulated in business, government, academia or with non-profit organizations. In particular a Director :-

- possesses the 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.

Relevant past performance or track record

- has a career of occupying a high level position in a comparable organization, and was accountable for driving or leading the organization's governance, business performance or operations.
- possesses commendable past performance record as gathered from the results of the board effectiveness evaluation.

3. BOARD SIZE AND COMPOSITION

The NRC will need to consider the size and composition of the Board to facilitate the making of informed and critical decisions.

The Board Charter stipulates that the Board composition should comprise at least two (2) directors or one-third (1/3) of its members, whichever number is higher, must be independent directors.

4. APPOINTMENT OF NEW DIRECTORS

The NRC is responsible for considering and making recommendations to the Board for directorships when the need arises such as to fill a vacancy arising from resignation, retirement or any other reasons or to close any skills, competencies, experience or diversity gap that has been identified by the NRC. The potential candidate will be identified either through internal sources as proposed by existing Directors or Senior Management staff or from external sources such as shareholders, third-party referrals or recruitment agencies.

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 necessary information, confirming the candidate's qualification(s) and conducting other legal and 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, an additional assessment on independence would need to be carried out.

Upon completion of the assessment and evaluation of the proposed candidate, the NRC makes its recommendation to the Board to 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 Padini subject to the necessary documentation and filings required under the MMLR and the Companies Act, 2016 (CA 2016).

The process for the appointment of a new director is summarized as follows :-

- (i) Identification of Candidate
- (ii) Assessment and evaluation of the identified candidate are conducted by the NRC based on the criteria set out in Section 2 above
- (iii) Recommendation of the identified candidate by the NRC to the Board
- (iv) Discussion and Decision by the Board on the proposed new appointment
- (v) If the proposed appointment is approved, an invitation or offer is made to the proposed/potential candidate to join the Board

5. ANNUAL ASSESSMENT OF EXISTING DIRECTORS

The Board through the NRC will conduct an annual assessment of the performance of the Board, Board Committees and individual Directors by examining the effectiveness of the structure and activities of the Board and Board Committees as well as the contribution of Board members. The relevant assessment forms would be circulated to all the Directors 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. Such forms are reviewed by the NRC and revised from time to time as and when necessary.

In carrying out the annual assessment, the NRC should consider the performance of the Board as a whole, the Board Committees 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 Company's Board of Directors Charter especially on the sections relating to the Board, the roles and responsibilities of a 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 that would best strengthen their contributions to the Board.

6. ASSESSMENT ON INDEPENDENCE OF DIRECTORS

6.1 Annual Assessment

The Board, through the NRC will also conduct an annual assessment on the independence of the Independent Directors of the Company based on the criteria as set out in the MMLR, MCCG 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. Based on the declaration made by the Independent Directors, the NRC and Board shall make an assessment and form an opinion on the independence of the Independent Directors.

Each individual Independent Director is responsible to notify the Chairman and Company Secretary in writing forthwith upon the occurrence of a change of circumstances or potential change of circumstances that in his/her reasonable opinion may affect his/her independence in the Board. Change of circumstances will include any matter or fact that occurs or may potentially occur after the completion of the preceding annual assessment and before the next annual assessment, which matter or fact if brought to the attention of the NRC and the Board may affect their consideration and/or decision in the said annual assessment. Upon receipt of the notification, the Chairman upon the advice of the Company Secretary may take the necessary step including to require the relevant Independent Director to make any declaration or to conduct subsequent assessment or such other step with the objective of determining the independence of the relevant Independent Director. For the avoidance of doubt, such necessary step may also be taken without any prior notification from any Independent Director if the Chairman, any member or Company Secretary is made aware of a change of circumstances that has occurred or will occur.

6.2 Assessment Process of NRC

The NRC and the Board, in its annual evaluation of the Independent Directors, must give effect to the spirit, intention and purpose of the definition of 'Independent Director' in the MMLR. The Board must 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.

6.3 Tenure of Independent Directors

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. An Independent Director who has reached a cumulative term of nine (9) years of service shall resign from the Board without any claim for compensation for loss of office, redundancy, unfair dismissal or on any other grounds whatsoever.

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.