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# KNUSFORD BERHAD

(Incorporated in Malaysia – Co. No. : 3800100-D)

## NOMINATION AND REMUNERATION COMMITTEE

### TERMS OF REFERENCE

#### 1. OBJECTIVES

- 1.1 To assist the Board in reviewing on an annual basis the appropriate size and balance of the Board, including appropriateness of non-executive participation.
- 1.2 To review the required mix of skills, experience and knowledge of the Directors of the Board.
- 1.3 To recommend members for appointments to the Board and Board Committees and to ensure appropriate assessment of Directors on an ongoing basis.
- 1.4 To recommend to the Board the remuneration framework for the Executive Directors.
- 1.5 To set the policies and procedures on the remuneration framework, including reviewing and making recommendations to the Board on all elements relating to remuneration, terms of employment, reward structure and benefit in-kind for the Managing Director (“MD”), Executive Directors (“ED”), the Chief Executive Officer (“CEO”) and key senior management position of the Group.
- 1.6 To ensure there is sufficient succession planning in the Group.

#### 2. COMPOSITION

- 2.1 The Committee shall be appointed by the Board from amongst their members and shall compose exclusively of Non-Executive Directors, majority of whom shall be Independent Non-Executive Directors. The Committee shall comprise of not less than three (3) members.
- 2.2 Where the membership of the Committee falls below three (3) due to retirement or resignation or any other reasons, the vacancy must be filled within three (3) months to make up the minimum of three (3) members.
- 2.3 The Chairman of the Committee shall be a Senior Independent Non-Executive Director appointed by the Board.

#### 3. DUTIES AND RESPONSIBILITIES

- 3.1 Role of Nomination and Remuneration Committee Chairman
  - (a) To lead the succession planning and appointment of Board members, including the future Chairman and CEO.
  - (b) To lead the annual review of Board effectiveness, ensuring that the performance of each individual director is independently assessed.

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#### 3.2 Assessment of Board Composition

- (a) Establish a policy formalising the Group's approach to Boardroom diversity (including diversity in gender, nationality, age, experience and independence).
- (b) Evaluate, review and recommend to the Board the appropriate size of the Board, required mix of skills, experience and other qualities, including core competencies which Non-Executive Directors shall bring to the Board to enhance its effectiveness in line with the Group's requirements.
- (c) Consider and recommend any policy regarding the period of service of Non-Executive Directors, tenure of Independent Directors and the term of office of Board Committee members, including Chairmen of Board Committees.
- (d) Review the term of office, and terms of reference of all Board Committees, assisted by the Group Secretary.

#### 3.3 Appointments

- (a) Consider and recommend to the Board the selection criteria for new appointment as Directors of the Company, which may include:
  - Required skills, knowledge, expertise and experience;
  - Time commitment, professionalism and integrity;
  - Specialist knowledge or technical skills in line with the Group's strategy; and
  - Diversity in age, gender and experience/background.

The Committee shall also:

- Consider and recommend to the Board the composition of the Board which must comprise a majority of Independent Directors;
  - Evaluate the candidate's ability to discharge their responsibilities as expected from an Independent Non-Executive Director;
  - Assess the independence of the Independent Non-Executive Director upon admission, annually and where any new interest or relationship develops; and
  - Ensure that the composition of the Board of Directors is in compliance with the regulations, guidelines and where possible, to be in line with recommended best practices.
- (b) Consider the need to appoint a Senior Independent Non-Executive Director, and if deemed appropriate, recommend to the Board for approval. In considering the candidate for the position of a Senior Independent Non-Executive Director, the Committee shall assess the required knowledge and other qualities necessary for the effective discharge of his/her responsibilities;
  - (c) Identify, consider and recommend suitable persons for appointment as Directors of the Company and members of the Board Committees, relying on sources from existing Board members, Management, major shareholders, independent search firms and other independent sources.

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#### 3.3 Appointments (cont'd)

- (d) Disclose in the Company's annual report how candidates for Non-Executive Director positions were sourced including whether such candidates were recommended by the existing Board members, Management or major shareholders and if the selection of candidates was solely based on recommendations made by existing Board members, Management or major shareholders, the Committee should explain why other independent sources were not used.
- (e) Appointment of Key Senior Management Positions:
  - Review and recommend to the Board the appointment, evaluation, resignation and termination of the MD, ED and CEO positions;
  - Review and if deemed appropriate, endorse for the Board's approval, the recommendations of the MD, ED and CEO on the appointment, evaluation, promotion, resignation and termination of key Senior Management positions of the Group.

#### 3.4 Succession Planning

- (a) The Committee shall assist the Board in ensuring that an appropriate succession planning framework, talent management and human capital development programme is in place for key Senior Management positions.
- (b) Oversee succession planning for the Board Chairman and Directors.

#### 3.5 Annual Performance Assessment

- (a) Assist the Board in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole and each Board Committee (including its size and composition), as well as the contribution of each individual Director. The method/approach of the assessment and outcome of the evaluation shall be documented and disclosed in the annual report.
- (b) Develop, maintain and review the criteria for evaluating the Board's, Board Committees' and each individual Director's performance.
- (c) The criteria used in the annual assessment should include the following:
  - Will and ability to critically challenge and ask the right questions;
  - Character and integrity in dealing with potential conflict of interest situations;
  - Commitment to serve the Company with due diligence and integrity;
  - Confidence to stand up for a point of view; and
  - Contribution and performance, calibre and personality.
- (d) Ensure that appropriate actions are taken based on the results of the annual assessments, to continuously enhance the Board's overall performance and identify opportunities for improvement.

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#### 3.6 Training and Development

Consider and review the trainings attended by the Directors, discussed the training programs required to assist the Directors in the discharge of their duties as Directors and to keep abreast with industry development and trend.

#### 3.7 Periodically review the remuneration framework, policies and procedures.

The Committee should perform the following:

- (a) Ensure that compensation policies and packages of Directors and Senior Management are reflective of the Group's demands, complexities and performance as a whole as well as skills and experience required, and in line with the strategic objectives of the Group.
- (b) Ensure performance targets are in line with shareholders' interests, and with an appropriate balance between long term and short term goals.
- (c) Ensure alignment of the compensation scale to corporate performance, and that compensation offered is in line with current market practices by comparable companies, time commitment, responsibilities and employment conditions elsewhere within the Group and in the market.

#### 3.8 Review and if deemed appropriate, endorse for the Board's approval, the annual bonus and salary increment framework for the Group.

#### 3.9 Review and recommend to the Board the terms and conditions of service, remuneration, compensation and benefits package (including bonus and salary increment) of the MD, ED and CEO.

#### 3.10 Review and if deemed appropriate, endorse for the Board's approval, the recommendations of the MD, ED and CEO on the terms and conditions of service, remuneration, compensation and benefits package (including bonus and salary increment) of the Key Senior Management positions.

#### 3.11 Disclosure and Reporting

Ensure detailed disclosure on named basis for the remuneration of individual Directors stating the following:

- (a) the remuneration received by the Directors of the Company, stating the amount they received from the Group and the Company respectively;
- (b) the amount in each component of the remuneration (e.g.: fees, salaries, bonuses, benefits in kind and other emoluments based on an estimated money value) for each Director; and
- (c) Such any other information that may be necessary for disclosure in Annual Report in accordance with the Principles of the Malaysia Code of Corporate Governance and the Main Market Listing Requirements.

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#### 3.11 Disclosure and Reporting (cont'd)

- (d) Ensure disclosure on named basis for the top five (5) Senior Management's remuneration components, which include salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000.

## 4. REMUNERATION COMPONENTS

### 4.1 Fixed Remuneration for EDs and Senior Management

The fixed salary is determined according to:

- The scope of the duty and responsibilities;
- The skills and experience required;
- The ethical values, internal balances and strategic targets of the Company;
- The corporate and individual performance; and
- Current market rate within the industry and in comparable companies.

### 4.2 Bonus

The bonus in the case of MD, ED and CEO are designed to reward outstanding performance. The bonus is granted to reflect the MD's, ED's and CEO's performance as well as Group results. A discretionary assessment is made to ensure that all factors which include measurable and not directly measurable are considered.

### 4.3 Fixed Fee for Members of Board of Directors

A fixed fee shall be recommended by Remuneration Committee and tabled to Board and shareholders for approval. In the event that the appointment of directors is less than a calendar year, their fees will be apportioned accordingly based on the number of days of their services were rendered.

### 4.4 Other Benefits and Allowances

The benefits and allowances which should be decided by the Board as a whole include:

- Meeting allowance;
- Expenses incurred in the course of their duties as Directors (if any); and
- Benefit in kind such as motor vehicle, petrol, driver and accommodation

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#### 5. RULES AND PROCEDURES AT MEETINGS

##### 5.1 Frequency of Meeting

The Committee shall meet as and when the need arises subject to at least one (1) meeting per year.

##### 5.2 Chairman of the Meeting

The Chairman of the meeting must be an independent non-executive director. In the absence of the chairman, the members present shall elect one of their members to chair the meeting.

##### 5.3 Notice and Agenda of Meeting

Meeting may be scheduled by the Committee or the Chairman. Meeting agenda shall be the responsibility of the Chairman with input from the Committee members. The Chairman may ask the Management to participate in this process. Unless all agreed, the notice and agenda of meeting shall be circulated at least five (5) days before each meeting to the Committee members and all those who are required to attend the meeting. Written materials including information requested by the Committee from the Management or external consultants shall be received together with the agenda for the meeting.

##### 5.4 Quorum for the Meeting

The quorum for a meeting shall be two (2) members with a majority of them being independent Non-Executive Directors.

##### 5.5 Attendance by Invitation

The Committee may invite any other Directors or employees within the Company to attend any of its meetings.

##### 5.6 External Expertise / Advice

The Committee shall have access to such information and advice, both from within the Group and externally, as it deems necessary or appropriate in accordance with the procedures determined by the Board and at the cost of the Group. The Committee is authorised by the Board to obtain external legal or other professional advice, as well as information about remuneration practices elsewhere. The Committee may, if it thinks fit, secure the attendance of external advisers with relevant experience and expertise, and shall have the discretion to decide who else other than its own members, shall attend its meetings. No director or executive shall take part in decisions on his/her own remuneration.

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#### 5.7 Meeting via Telecommunication Device

- (a) A member shall be deemed to be present at a meeting of the Committee if he participates by instantaneous telecommunication device and all members of the Committee are able to hear each other and recognise each other's voice, and for this purpose, participation constitutes prima facie proof of recognition. For the purposes of recording attendance, the Chairman or Secretary of the Committee shall mark on the attendance sheet that the member was present and participating by instantaneous telecommunication device.
- (b) A member may not leave the meeting by disconnecting his instantaneous telecommunication device unless he has previously obtained the express consent of the Chairman of the meeting and a member will be conclusively presumed to have been present and to have formed part of the quorum at all times during the committee meeting.
- (c) Minutes of the proceedings at a committee meeting by instantaneous telecommunication device will be sufficient evidence of such proceedings and of the observance of all necessary formalities if certified as correct minutes by the Chairman of the meeting.

#### 5.8 Decision

Questions arising at any meeting shall be decided upon by a majority vote, each member having one (1) vote. In the event of equality of votes, the Chairman of the Committee shall have a casting vote.

#### 5.9 Secretary of the Meeting

The Company Secretary shall be the Secretary of the Committee.

#### 5.10 Resolution in Writing

A resolution in writing signed and approved by a majority of the Committee and who are sufficient to form a quorum shall be as valid and effective as if it had been passed at a Meeting of the Committee duly called and constituted.

#### 5.11 Minutes of Meeting

The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. The minutes of the Committee meeting shall be made available to all Board members.

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#### **5.12 Reporting to the Board**

The Committee, through its Chairman, shall report to the Board at the next Board of Directors' Meeting after each Committee meeting.

#### **6. ANNUAL PERFORMANCE ASSESSMENT**

- 6.1 The Committee shall perform a self-assessment annually to assess its effectiveness in carrying out the duties as set out in this terms of reference and report the results to the Board.
- 6.2 The Board shall review the composition, performance and effectiveness of the Committee and each of its members annually to ensure that the Committee has the right composition, and sufficient, recent and relevant skills and expertise to effectively fulfil their roles.
- 6.3 All such assessments shall be properly documented.