

## **LEE SWEE KIAT GROUP BERHAD**

(200301005163) (607583 T)

(Incorporated in Malaysia)

### **TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE**

#### **COMPOSITION AND TERMS OF REFERENCE**

##### **1. Membership**

The Nomination and Remuneration Committee (“NRC”) shall be appointed by the Board of Directors and shall consist of not less than two (2) members, of which comprising exclusively Non-Executive Directors, with a majority of whom must be Independent Directors.

The Board of Directors shall review the terms of office and performance of the NRC and each of its members yearly to determine whether the NRC and members have carried out their duties in accordance with their terms of reference.

In the event of any vacancy in the NRC resulting in the non-compliance of the above, the Company must fill the vacancy within three (3) months.

##### **2. Chairman**

The Chairman shall be elected by the NRC from among their members, whom must be an Independent Director or the Senior Independent Director.

##### **3. Secretary**

The NRC should be entitled to the services of a secretary or his nominee who must ensure that all appointments are properly made, that all necessary information is obtained from Directors, both the Company’s own records and for the purposes of meeting statutory requirements, as well as obligations arising from the Listing Requirements of Bursa Malaysia Securities Berhad and/or other regulatory authorities.

##### **4. Meetings**

###### Quorum

The quorum of the NRC meeting shall be two Independent Directors.

###### Frequency

The NRC should meet at least once a year, or more frequently, as and when necessary. The Board members and members of the Group’s Management team may attend meetings upon the invitation of the NRC.

**TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE**

Notice

Unless otherwise agreed, reasonable notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member and any other attendees, if any. Supporting papers shall be sent to the members and other attendees as appropriate. The notice of each meeting shall be served to the member either personally or by fax or e-mail or by post or by courier to his registered address as appearing in the Register of Directors or to the address provided by the member, as the case may be.

Keeping of minutes

The 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 shall be circulated to the NRC and the Board of Directors.

Custody, production and inspection of such minutes

The minutes shall be kept by the Company at the Registered Office or the principal place of business in Malaysia of the Company, and shall be open to the inspection of any member of the NRC without charge.

Written Resolutions

A written resolution signed or approved via letter, telex, facsimile, email by all members shall be effective for all purposes as a resolution passed at a meeting of the NRC duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

Others

The NRC should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the NRC is firmly in its hands.

In the event that the remuneration package of a member is to be discussed, the member concerned should abstain from the discussion of his/her own remuneration package.

**5. Annual General Meeting (“AGM”)**

The Chairman of the NRC should attend the AGM (including Extraordinary General Meeting) to answer any shareholder’s question(s) on the NRC’s activities, in particular on areas pertaining to proposed resolutions for shareholders to consider on the appointment or re-appointment of directors and directors’ remuneration.

**TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE**

**6. Reporting Responsibilities**

The Chairman of the NRC shall report to the Board of Directors on its proceedings after each NRC meeting. The NRC shall make recommendations to the Board of Directors as appropriate on any area within its responsibility or as delegated by the Board of Directors, where action or improvement is needed. The NRC shall produce a report to be included in the Company's Annual Report about its activities and the process used to identify and make appointments.

**7. Authority**

The NRC is authorised to seek any information it may require from any Director or Management and it has full and unrestricted access to any information pertaining to the Group.

The NRC shall obtain external professional advice and secure the attendance of outsiders with the relevant experience, if deemed necessary, the expense of which will be borne by the Company.

**RESPONSIBILITIES AND DUTIES**

**A. Nomination**

The responsibilities and duties of the NRC on nomination matters are:-

New Appointment

- i. Consider and recommend to the Board, candidates for directorship proposed by the Managing Director/Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder, taking into consideration the candidates' skills, knowledge, expertise and experience, time, commitment, character, professionalism and integrity. For the position of Independent Non-Executive Directors, the NRC should also evaluate the candidates' ability to discharge such responsibilities as expected from Independent Non-Executive Directors;
- ii. Before any appointment by the Board, evaluate and assess the balance of skills, knowledge, experience and diversity on the Board;
- iii. Review the role and capabilities required for a particular appointment for the Board's recommendation. In identifying suitable candidates, the NRC may:
  - a) use the services of external advisors to facilitate the search;
  - b) consider candidates from a wide range of backgrounds;

**TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE**

- c) consider candidates on merit and against objective criteria with due regard to diversity including gender and the appointees time commitment; and
  - d) request to consider the disclosure of any business interests that may result in a conflict of interest.
- iv. In the case of the appointment of a Chairman, review the position description, including time commitment expected. Any significant commitment should be disclosed to the Board prior to appointment and any changes should be reported to the Board as they arise;
- v. Recommend to the Board, candidates to fill the seats on Board Committees, in consultation with the respective Chairman of those committees. In the event that a Chairman's position (regardless of Board/ Committee) is to be filled, to consult with the Board;
- vi. Ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Board Committee involvements and involvement outside board meetings;

**Re-election, Re-appointment and Resignation/Termination**

- vii. Recommend to the Board, candidates for re-election of Directors by shareholders under the annual re-election provisions or retirement, with due consideration to the extent to which the interplay of the Director's expertise, skills, knowledge and experience with those of other board members, as well as their roles as committee members. Attention should be paid to Independent Directors who are retained beyond nine years as the Board had to provide strong justification in exceptional circumstances and seek shareholders' approval;
- viii. Matters relating to the continuation in office of any Director at any time, including the suspension or termination of service of an Executive Director as an employee of the company subject to the provisions of the law and their service contract;
- ix. The re-appointment of any Non-Executive Director at the conclusion of his term of office having given due regard to his performance and ability to continue to contribute to the board in terms of knowledge, skills and experience required;

**Specific Nominations and Succession Planning**

- x. Recommend suitable candidates for the role of Senior Independent Director, as applicable;

**TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE**

- xi. Report to the Board on succession planning for the position as Board Chairman, Directors and key management personnel, particularly the Managing Director. The Board should work with the NRC to evaluate potential successors, taking into account the challenges and opportunities facing the Company, and the skills and expertise, including diversity, needed on the Board in the future;

**Annual Performance Assessment of Board, Committees and Individual Directors**

- xii. Annually review the required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the Board, the Board Committees and the Board/Committee members. All evaluations carried out by the NRC in the discharge of its functions should be properly documented. This process should be coordinated by the NRC, with the assistance of the Company Secretary, and thus, reporting to the Board at the end of each financial year with an assessment of the Board's performance and areas in which the Board, Board Committees or individual Director could improve;
- xiii. Annually review the time required of Non-Executive and Independent Directors. Performance assessments should be undertaken to assess whether the Directors are spending enough time to fulfill their duties;
- xiv. review the term of office and performance of an audit committee and each of its members annually to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference;

**Induction training and training needs analysis**

- xv. Review the induction and training needs of Directors. Ensure the training programme attended by the Directors must be one that aids the Director in the discharge of his duties;

**Size of Board and Independent Directors**

- xvi. Assess the desirable balance in board membership by reviewing the size, gender, structure, diversity and composition of the Board, taking into consideration the number of directorships;
- xvii. Assess desirable number of Independent Directors; and
- xviii. Consider the representation of interest groups as part of boardroom diversity. Factors to consider may include gender, race, religion, nationality, professional background and culture.

**TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE**

**B. Remuneration**

The responsibilities and duties of the NRC on remuneration matters are:

- i. Support the Board in actively overseeing the design and operation of the Group's remuneration system and ensure that the remuneration package of Directors is aligned with the business strategy and long-term objectives of the Group as well as to reflect the Board's responsibilities, expertise and complexity of the Group's activities;
- ii. Review and recommend to the Board on the remuneration of Non-Executive Directors, particularly in whether the remuneration remain appropriate to each Director's contribution, by taking into account the level of expertise,, commitment and responsibilities undertaken. The remuneration shall be at a level which will attract and retain the services of Independent Directors;
- iii. Review and recommend to the Board on the total individual remuneration package for Executive Directors and Senior Management personnel, including, where appropriate, bonuses, incentive payments within the terms of the agreed remuneration policy and based on individual performance;
- iv. Oversee any major changes in employee benefits structures throughout the Company or Group;
- v. Oversee the qualitative and quantitative disclosures of remuneration made in the Annual Report and notice to general meeting of the Company; and
- vi. Provide clarification to shareholders during general meeting on matters pertaining to remuneration of Directors and Senior Management as well as the overall remuneration framework of the Company or Group.

\*\*\*\*\*