

# **HEXTAR INDUSTRIES BERHAD**

[Registration No. 201101044580 (972700-P)]

(Incorporated in Malaysia)

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

### **1. OBJECTIVE**

The primary objective of the Nomination and Remuneration Committee (“NRC”) is to establish a documented, formal and transparent procedure to support and advise the Board of Directors (“Board”) in fulfilling their responsibilities to shareholders by nominating and screening Board member candidates and to ensure an appropriate structure for management succession and development including an effective process for director selection and tenure and to review and recommend to the Board the remuneration, compensation and benefits packages of the Executive Directors and Key Senior Management Staff. The NRC also assess the effectiveness and the contribution of the Board as a whole and each individual Director, the Board Committees and Senior Management of the Company on an on-going basis.

### **2. COMPOSITION**

The members of the NRC shall be appointed by the Board from amongst the Directors of the Company and shall comprise of at least three (3) members, all of whom must be Non-Executive Directors, with a majority of them being independent.

The NRC shall elect a Chairman from among its members and the elected Chairman shall be an Independent Non-Executive Director.

No alternate director shall be appointed as a member of the NRC. The term of office and performance of the NRC and each of its members shall be reviewed by the Board annually to determine whether the members have carried out their duties in accordance with their terms of reference.

If a member of the NRC resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### **3. AUTHORITY**

- i) The NRC is authorised to have full and unrestricted access to information it requires from management of the Company in order to perform its duties.
- ii) The NRC is authorised to call for any appropriate person or person to be in attendance to make presentations or furnish or provide independent advice on any matters within the scope of responsibilities.
- iii) The NRC is authorised by the Board to obtain, at the Company’s expense, external legal or other professional advice on any matters within its terms of reference.

### **4. DUTIES AND RESPONSIBILITIES**

In fulfilling its primary objectives, the NRC shall undertake, amongst others, the following duties and responsibilities delegated by the Board and make recommendations to the Board for consideration:

#### 4.1 With regard to nomination matters

- i) The NRC shall undertake an annual review of the Board's succession plans, taking into consideration, the present size, structure and composition of the Board and Board Committees as well as the required mix of skills, experience and competency required and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- ii) The NRC shall annually review whether each of the Independent Directors continues to be independent in character and judgement and act in the best interests of the Company when discharging his/her duties;
- iii) The NRC has to facilitate the evaluation on the effectiveness of the Board as a whole, the various Committees and the contribution of each individual Director, as well as the performance of the Group Managing Director and Executive Director to the effectiveness on the decision making process of the Board;
- iv) The NRC shall give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;
- v) The NRC shall be responsible for identifying and make recommendation to the Board on new candidates for election/appointment to the Board or to fill board vacancies as and when they arise;
- vi) The NRC shall ensure that induction and education programmes are provided for newly appointed members of the Board;
- vii) The NRC shall recommend to the Board concerning the re-election/re-appointment of Director to the Board pursuant to the provisions in the Company's Constitution and contingent on satisfactory evaluation of the Directors' tenure, performance, contribution to the Board and the current composition of the Board;
- viii) In determining the process for the identification of suitable candidates, the NRC will ensure that an appropriate review is undertaken to ensure the requirement and qualification of the candidate nominated based on a prescribed set of criteria comprising but not limited to the following:
  - a) Skills, knowledge, expertise and experience;
  - b) Professionalism;
  - c) Integrity;
  - d) Existing number of directorships held;
  - e) Confirmation of not being an undischarged bankrupt or involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment or subject to any investigation by any regulatory authority under any legislation; and
  - f) In the case of candidates being considered for the position of independent director, such potential candidates have the ability to discharge such responsibilities/functions as expected from independent non-executive directors. Amongst others, the potential candidates must fulfil the criteria used in the definition of "independent directors" prescribed by the Listing Requirements of Bursa Malaysia Securities Berhad and being able to bring independent and objective judgement to the Board.

Where required, the members of the NRC would meet up with potential candidates for the position of director to conduct an assessment of the suitability. A Directors' Fit and Proper Policy has been established to guide the NRC in the review and assessment of candidates that are to be appointed onto the Board.

*(Note: The Group practices non-discrimination in any form whether based on age, gender, ethnicity or religion throughout the organisation and this includes the selection of directors).*

- ix) The NRC shall undertake an annual review of the training programmes attended by the Directors for each financial year as well as the training programmes required to aid the Directors in the discharge of their duties as Directors and to keep abreast with industry developments and trends; and
- x) The NRC shall provide a report summarising its activities for the year in compliance with the Malaysia Corporate Governance Code, Listing Requirements and any relevant regulations. The report can be incorporated into the corporate governance statement in the annual report or included as a separate report.

#### **4.2 With regard to remunerations matters**

- (i) The NRC shall provide assistance to the Board in establishing the policy and the framework of the Directors' remuneration and the remuneration of certain senior management personnel, including the setting of their key performance indicators;
- (ii) The NRC shall ensure that the Group's remuneration and incentive policies, practices and key performance indicators are appropriately established and are aligned with the Group's vision, values and business objectives and market trends;
- (iii) The NRC shall provide assistance to the Board on matters relating to, amongst others, management grievances, compensation strategy, management development and other compensation arrangements;
- (iv) The NRC shall review and determine the annual salary increment, performance bonus, and short term/long term incentives (including share grant and bonus) for Executive Directors and Principal Officers based on merit, qualification and competence, having regard to the Company's operating results, individual performance and comparable market statistics;
- (v) The NRC shall review and determine the other benefits in kind for the Executive Directors and Principal Officers;
- (vi) The NRC shall perform such other functions as may be requested by the Board, Malaysia Corporate Governance Code, Listing Requirements and any relevant regulations;
- (vii) The NRC shall review and recommend to the Board a fair and transparent remuneration policies and packages of Non-Executive Directors, particularly on whether the remuneration remains appropriate to each Non-Executive Directors' contribution, by taking into account the level of expertise, commitment and responsibilities undertaken clearly linked to the Company's objectives and performance. The individuals concerned should abstain from discussion of their own remuneration; and
- (viii) The NRC shall ensure that the remuneration and incentives for Independent Directors do not conflict with their obligation to bring objectivity and independent judgement on matters discussed at Board meetings.

#### **5. MEETINGS OF THE NRC**

The NRC shall meet at least once a year and as frequently as may be required.

In the event the elected Chairman is not able to attend a meeting, a member of the NRC shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Non-Executive Director.

Subject to the notice and quorum requirements as provided in the Terms of Reference, meeting of the NRC may be held and conducted through the telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.

**6. QUORUM**

The quorum for a meeting of the NRC shall consist of two (2) members.

**7. NOTICE OF MEETINGS**

Unless otherwise agreed, 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 of the NRC, any other person required to attend and all other non-executive directors, no later than five (5) days before the date of the meeting. Supporting papers shall be sent to NRC members and to other attendees as appropriate, at the same time.

**8. SECRETARY AND MINUTES**

The Company Secretary or his/her nominee or such other persons authorised by the Board shall act as the Secretary of the NRC. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the NRC and ensure that the minutes are properly kept and produced for inspection if required.

**9. CIRCULAR RESOLUTION**

A resolution in writing, signed or approved by letter, telegram, telex, telefax or electronic means by a majority of the NRC members present in Malaysia for the time being entitled to receive notice of a meeting of the NRC, shall be as valid and effectual as if it had been passed at a documents in like form, each signed by one or more of the members of the NRC.

**10. REVISION AND UPDATES**

Where necessary, this Terms of Reference will be reviewed and updated to ensure it remains consistent with the NRC's objectives and responsibilities.

**END.**