MEGA FORTRIS BERHAD
[Registration No. 199801004408 (460535-H)]
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE NOMINATING AND REMUNERATION COMMITTEE

1. PRIMARY PURPOSES

The primary objective of the Nominating and Remuneration Committee ("**Committee**") is to establish a documented, formal, and transparent procedure to support and advise the Board of Directors of the Company ("**Board**") in fulfilling their responsibilities in overseeing the selection and assessment of the performance, as well as reviewing and implementing the remuneration policies and procedures for the Directors and Senior Management of the Company and its subsidiaries ("**Group**") on an on-going basis.

For the purposes of this Terms of Reference, Senior Management includes the Group Managing Director cum Group Chief Executive Officer, Group Chief Operating Officer, Group Chief Finance Officer, Compliance Director and any other C-suite officers ("**Senior Management**").

(A) NOMINATION FUNCTIONS

The Committee is tasked with the responsibility to:

(a) establish and oversee a formal policy and procedure for the nomination of Directors to the Group.

(b) regularly review the structure, size, and composition of the Board and make recommendations regarding any changes.

(c) assess the performance of the Board, its Committees, and individual Directors on an ongoing basis.

(d) ensure that the Company maintains a diverse and effective Board, with the necessary mix of skills and experience.

(B) REMUNERATION FUNCTIONS

The Committee is also responsible for:

(a) implementing policies and transparent procedures on remuneration, including reviewing and recommending matters relating to the remuneration, fees, and other benefits of the Board and Senior Management ("**Remuneration Policy**").

(b) ensuring that all Directors and Senior Management are fairly rewarded for their individual contributions to the Company's overall performance, ensuring that the remuneration commensurate with the level of executive responsibility and appropriate in light of the Group's performance.

(c) ensuring that the level and composition of remuneration for Directors and Senior Management can attract and retain the right talent necessary to drive the Group's long-term objectives.

2. COMPOSITION AND MEMBERS

(a) The members of the Committee 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 Directors. In this respect, the Board adopts the definition of "independent directors" under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Exchange**") ("**Listing Requirements**").

(b) The Committee shall elect a chairman ("**Chairman**") from among its members and the elected Chairman shall be an Independent Non-Executive Director or Senior Independent Non-Executive Director but shall not be the chairman of the Board. The Chairman of the Committee shall report to the Board on any matter that should be brought to the Board's attention and provide recommendations of the Committee that require the Board's approval at the Board meeting.

(c) No alternate Director shall be appointed as a member of the Committee. The term of office and performance of the Committee 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.

(d) If a member of the Committee retires, re-designates, resigns, dies or for any other reason ceases to be a member or Chairman 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 the event, appoint such number of new members or Chairman as may be required to make up the minimum number of three (3) members.

3. AUTHORITY

The Committee shall in accordance with the procedure or process determined by the Board and at the cost of the Company:

(a) The Committee has full and unrestricted access to any information it requires from Management or any employee of the Company in order to perform its duties.

(b) The Committee is authorised to call for any appropriate person or persons to be in attendance to make presentations or furnish or provide independent advice on any matters within the scope of responsibilities.

(c) The Committee 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.

(d) The Committee shall be entitled to the services of a Company Secretary who must ensure that all appointments are properly made, that all necessary information is obtained from Directors or Senior Management, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the Listing Requirements or any applicable code on corporate governance or any other applicable rules and regulation governing the Company.

(e) The Committee shall be entitled to use a variety of approaches and independent sources to ensure that it is able to identify the suitable qualified candidates. This may include sourcing from a Directors' Registry and open advertisements or the use of independent search firms, if so required. The Company is discouraged from appointing an active politician or a Member of Parliament, State Assemblyman or holds a position at the Supreme Council, or division level in a political party as a director on its Board.

(f) The Committee may engage an independent expert to conduct the evaluation on effectiveness of the Board, its Committees, and individual directors, if deemed necessary.

(g) If the selection of candidates was solely based on recommendations made by the existing board members, management or major shareholders, the Committee should explain why these source(s) suffice and other sources were not used.

All the recommendations of the Committee are subject to the approval of the Board.

4. DUTIES AND RESPONSIBILITIES

In fulfilling its primary objectives, the Committee shall undertake, amongst others, the following duties, and responsibilities:

(A) Nomination Duties

(a) Candidate Selection & Governance

(i) To establish appropriate (fit and proper) selection criteria and processes for recruitment, and recommend candidates for all directorships of the Company and members of relevant Board Committees.

(ii) To consider and evaluate potential conflicts of interest during the selection and appointment of new Directors and Senior Management, ensuring that all candidates are assessed for any affiliations or interests that may affect their objectivity and their ability to act in the best interests of the Group.

(iii) When identifying candidates for directorship, the Committee shall utilise independent sources and any other means in addition to recommendations from the existing Board members, management, or major shareholders to identify suitably candidates.

(iv) To integrate Environmental, Social, and Governance ("**ESG**") considerations into nomination processes, ensuring that recruited directors bring relevant ESG expertise to the Board.

(v) To ensure sufficient diversity and independence within the Board to enhance the depth and breadth of the decision-making process.

(b) Succession Planning

(i) To develop and review an appropriate framework for the succession planning of the Chairman of the Board, Managing Director, Executive Directors and Senior Management.

(ii) To oversee and shape the Group's governance policies and practices, ensuring succession planning for the Board and Senior Management to achieve board effectiveness and governance.

(iii) The Chairman of the Committee shall refer the approved succession planning policy to lead the succession planning for Board and Senior Management's appointments, overseeing the development of a diverse pipeline for these roles.

(c) Diversity for the Board and Senior Management

(i) The Committee recognises that diversity for the Board and Senior Management is an essential element contributing to the sustainable development of the Group and shall not discriminate on the basis of ethnicity, age, gender, nationality, political affiliation, religious affiliation, marital status, educational background, or physical ability. The Committee will refer to the Fit and Proper Policy and Gender Diversity Policy adopted by the Company to conduct the selection and transparent process for appointing Directors (including reappointments) and Senior Management.

(ii) The candidate selection process should be guided by clear criteria as required under the Board Charter, Listing Requirements, and guidance in the applicable code on corporate governance in force at the time. In evaluating a Director's ability to perform effectively in their role, the Committee should consider, among other things, whether the Director is 'overstretched' in terms of their commitments to the Board, to meet the demands and expectations of the role. The Committee and the Board support the participation of women on the Board and in Senior Management, including a target of at least 30% women Directors in the Board composition.

(iii) In making recommendations for suitable candidates for the appointments of Directors (including re-appointments) and Senior Management, the Committee shall consider the following:

(1) Refer to the Fit and Proper Policy and Gender Diversity Policy;
(2) Qualifications;
(3) Skills and competencies;
(4) Age;
(5) Merits;
(6) Functional knowledge;
(7) Experience and expertise;
(8) Character;
(9) Boardroom diversity, including gender diversity;

(10) Cultural background;
(11) Declaration of interest and potential conflict of interest;
(12) Integrity and professionalism;
(13) Whether the person is considered politically active;
(14) ESG experience;
(15) Time commitment to effectively carry out their duties; and
(16) In the case of candidates for the position of Independent Directors, whether the test of independence under the Listing Requirements is satisfied.

(iv) The Company's Gender Diversity Policy for the Board and Senior Management shall be disclosed in its Annual Report.

(d) Performance Assessment and Process

(i) To establish mechanisms for annual assessments of the effectiveness of the Board, the board committees, individual Directors and Senior Management, based on objective performance criteria, skills diversity, gender, new skills and perspective to the boardroom, as approved by the Board from time to time.

(ii) To assess the effectiveness of the Board and the contributions of individual Directors and Senior Management in addressing material sustainability risk and opportunities as well as their sustainability-related performance.

(iii) To recommend to the Board, on an annual basis after the performance assessment, the appropriate size, structure, balance, and composition, including the necessary mix of skills, experience, diversity and core competencies for the Board to function effectively and align contributions with the Group's requirements and Listing Requirements, while ensuring periodic refreshment of Board composition and emphasising performance evaluations that support informed re-election decisions.

(iv) To recommend the removal of Directors, including the Managing Director and Senior Management, if they are deemed ineffective in discharging their responsibilities.

(v) To ensure periodic refreshment of Board composition, emphasising performance evaluations that supporting re-election decisions.

(vi) To review on an annual basis, the meeting attendance of Directors at Board and/or board committees' meetings and assess the time commitment of Directors in discharging their roles and responsibilities.

(vii) To assess any involvement of Directors within the Group that may give rise to an actual or potential conflict of interest with the Group's business, based on disclosure made by such Director. In instances where a Director is found to have a significant, ongoing, and irreconcilable conflict of interest that substantially impairs their ability to fulfil their fiduciary duties to the Group, the Committee may recommend to the Board all necessary actions. These actions may include resignation, early retirement, or vacation of the office of the director, as deem appropriate and necessary.

(viii) To review and periodically update the criteria for the annual assessment of Directors and Senior Management, ensuring the Board maintains an effective composition, size, and commitment for the adequate discharge of its responsibilities.

(ix) To utilise annual evaluation forms duly approved by the Board, to assess the effectiveness of the Board, the board committees, and the contributions of each individual Director and the Chairman of the Board, which include:

(1) Oversight by the Chairman of the evaluation process;
(2) Review of findings and recommendations to the Board; and
(3) Recording deliberations and including Directors' feedback on critical performance areas.

(e) Independent Director Assessment and Length of Service Review

(i) To assess the Independent Non-Executive Directors concerning their independence and ability to perform their functions, including exercising independent judgement in the Company's best interests.

(ii) To review annually the length of service of each Independent Director. The tenure of an Independent Director shall not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, the Independent Non-Executive Director may continue to serve on the Board beyond the nine (9)-year tenure, provided the Independent Director is re-designated as a Non-Independent Director, subject to the assessment of the Committee. If the Board believes that the Independent Director can continue beyond the nine (9)-year tenure, it must provide justification and seek shareholders' approval annually in a general meeting through a two-tier voting process. To justify retaining an Independent Director beyond the term limit of nine (9) years, the Board should through the Committee to undertake a rigorous review to determine whether the 'independence' of the Director has been impaired. The findings from the Board's review should be disclosed to the shareholders to enable them to make an informed decision.

(iii) Where the Board proposes to re-appoint an Independent Director beyond the nine (9)-year tenure, it must seek and obtain shareholder approval annually in a general meeting through a two-tier voting process. Under Tier 1, the vote(s) required will come from the Large Shareholder(s) (as defined in the Malaysian Code on Corporate Governance) ("**Large Shareholder**"), while Tier 2 will require votes from the remaining shareholders excluding the Large Shareholder(s). The resolution to approve the re-appointment of such an Independent Director shall be based on the vote by the Large Shareholder, or in the case of multiple Large Shareholders, a simple majority vote under Tier 1, along with a simple majority vote under Tier 2. For clarity, the resolution shall be deemed passed and successful only if both Tier 1 and Tier 2 votes support the resolution. Conversely, the resolution shall be deemed defeated if the votes between the two tiers differ or if the Large Shareholder(s) abstain(s) from voting under Tier 1.

(iv) To qualify as an Independent Director, the individual must satisfy the criteria set out in the Listing Requirements, and must not be, nor have been within the last three (3) years, an officer of the Company or any subsidiaries of the Company (collectively referred to as the "**said Corporations**"). For the purposes of this definition, the term "officer" is as defined in Section 2 of the Malaysian Companies Act 2016. However, it excludes any director who has served as an Independent Director in one or more of the said Corporations for a cumulative period of less than 12 years.

(f) Performance Assessment of Audit Committee

To review annually the term of office and performance of the Audit Committee and its members.

(g) Training

(i) To ensure orientation and education programs for new Board members.

(ii) To review and identify ongoing training needs of Directors.

(h) Shareholders' Communication

(i) To provide shareholders with the necessary information to make informed decisions on the appointment and/or re-appointment of Directors, which should be included in the notices of general meetings.

(ii) To report annually on the Committee's summarise activities, including applying the Fit and Proper Policy, Gender Diversity Policy, and conflict of interest policy in compliance with the Listing Requirements and applicable governance codes and regulations.

(B) Remuneration Duties

(a) To assist the Board in its compensation strategy, management development and other compensation arrangements.

(b) To develop and administer a fair, formal, and transparent procedure for establishing policies, strategies, and frameworks for the remuneration of Directors and Senior Management. These policies and frameworks should align with the business strategy and long-term objectives of the Company, aiming to provide a competitive and balanced remuneration package that attracts and retains high-calibre individuals. This includes determining the fee structure and level of remuneration for Directors and Senior Management.

(c) To ensure that the Remuneration Policy considers the demands, complexities, and performance of the Company in managing material sustainability risks and opportunities, as well as the skills and experience required. The policy should also reflect the different roles and responsibilities of each Director and Senior Management based on merit, qualifications and competence, individual performance, operating results, and comparable market statistics. The Board determines which individuals make up Senior Management and whether other employees should be covered by the policy. The policy and procedures shall be periodically reviewed for relevance and made available on the Company's website.

(d) To implement the Remuneration Policy, including reviewing and recommending to the Board the remuneration packages of the Directors and Senior Management. This includes their annual salary increments, performance bonuses, and short-term or long-term incentives (including share grants and bonuses), as well as other benefits in kind. This evaluation should consider the appropriateness of the remuneration in relation to each individual's contribution, level of expertise, commitment, and responsibilities.

(e) When recommending the fees and other benefits for the Independent Directors, the Committee must ensure they do not conflict with the Independent Directors' obligation to bring objectivity and independent judgment to matters discussed at Board meetings.

(f) To recommend the engagement of external professional advisors or to seek outside advice to assist and/or advise the Board on remuneration matters, when necessary.

(g) To establish frequent communication with other Board Committees to align the Remuneration Policy with succession plans and talent management of executives, as well as to work with the Sustainability and Risk Management Committee to ensure that risk outcomes are adequately considered in the design of the Remuneration Policy.

(h) To provide a report summarising its activities for the year in compliance with the applicable code on corporate governance, the Listing Requirements, and any other applicable laws or relevant regulations in Malaysia.

(i) To recommend to the Board the tabling of separate resolutions for the approval of the fees for each Non-Executive Director of the Company and to provide clarification to shareholders during general meetings on matters pertaining to the remuneration of Directors and Senior Management, as well as the overall remuneration framework of the Company.

(C) Delegated Functions

To act in line with the directions of the Board and carry out other functions or assignments as may be delegated regarding the nomination and remuneration of Directors and Senior Management.

5. MEETINGS OF THE COMMITTEE

(a) The Committee shall meet at least once a year or more frequently as deemed necessary.

(b) In the event the elected Chairman is not able to attend a committee meeting, the members of the Committee can elect from amongst themselves. The Chairman of the Committee shall be an Independent Non-Executive Director or a Senior Independent Non-Executive Director, if any.

(c) Directors should not be involved in discussions to decide on their own remuneration.

(d) Any question arising at any meeting of the Committee shall be decided by a majority of votes, each member of the Committee having one (1) vote and a determination by a majority of the members of the Committee shall for all purposes be deemed a determination of the members of the Committee.

(e) In the case of an equality of votes, the Chairman has a second or casting vote, except where two (2) members form a quorum, the Chairman at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue shall not have a casting vote. The question in issue shall then be tabled at the next meeting of the Committee or referred to the Board for decision, whichever is more expedient.

(f) The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide insights, particularly on considerations relating to the performance of the Company and/or any pertinent information as necessary.

(g) The Company must ensure that other Directors and employees attend any Committee meeting only at the Committee's invitation, specific to the relevant meeting.

(h) Subject to the notice and quorum requirements as provided in the Terms of Reference of the Committee, the Committee may participate in a meeting of the Committee by means of conference telephone, conference videophone or any similar or other communication equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting of the Committee shall constitute presence in person at such meeting of the Committee.

(i) A resolution in writing signed or approved by facsimile, letter, telegram, telex or telefax or other written electronic communications by a majority of the members of the Committee and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. All such resolutions shall be described "Committee Members' Resolutions in Writing" and shall be forwarded or otherwise delivered to the Secretary without delay and shall be recorded by the Secretary in the Company's minute book. Any such resolution may consist of several documents in like form, each signed by one (1) or more Committee members.

6. QUORUM

The quorum for a meeting of the Committee shall consist of not less than two (2) members; majority of members present must be Independent Non-Executive Directors.

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 Committee and any other person required to attend, at least five (5) business days before the date of the meeting, except in the case of an emergency, where reasonable notice of every Committee meeting shall be given in writing or obtain a waiver of notice period from the members of the Committee. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time or such other period as the members may agree.

8. SECRETARY AND MINUTES

(a) The Company Secretary or his nominee or such other persons authorised by the Board shall act as the Secretary of the Committee ("**Secretary**").

(b) The Secretary shall be responsible, in conjunction with the Chairman, for drawing up the agenda and other supporting explanatory documentation for circulation to the members of the Committee prior to each meeting.

(c) The Secretary holds the responsibility of maintaining records, preparing, and distributing the minutes of the Committee meetings to the members of the Committee and other members of the Board, and ensuring that the minutes are properly kept and produced for inspection as needed. The Committee shall report to the Board and the minutes of each meeting shall be tabled to the Board for notation.

9. PUBLISHED AT THE WEBSITE

The written Terms of Reference of the Committee dealing with its authority and duties which must include the selection and assessment of Directors, and such information must be made available on the Company's website.

10. REVIEW OF THE TERMS OF REFERENCE

The Board shall review and assess the relevance of this Terms of Reference of the Committee periodically or when changes to business environment or regulatory requirements necessitate a revision.

11. REVISION OF THE TERMS OF REFERENCE

The provisions of this Terms of Reference of the Committee can be amended and supplemented from time to time by a resolution of the Board.

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