

**CNI HOLDINGS BERHAD**  
**NOMINATION AND REMUNERATION COMMITTEE – TERMS OF REFERENCE**

**1. PURPOSE**

- 1.1. The Nomination and Remuneration Committee (“NRC”) is established as a committee of the CNI Holdings Berhad (“CNI”) Board of Directors (“the Board”) with the following primary objectives:

**Nomination Function**

- 1.1.1. To assist the Board in reviewing on annual basis the appropriate size and balance of the Board, including appropriateness of non-executive and executive directors’ participation in the boards of CNI and its subsidiary companies (“Group”).
- 1.1.2. To review the required mix of skills, experience, knowledge and responsibilities of the Directors and Management Executives of the Board.
- 1.1.3. To recommend members for appointments to the Board and Board Committees of CNI and the Group.
- 1.1.4. To ensure appropriate assessment of Directors and Management Executives on an ongoing basis.
- 1.1.5. To ensure there is sufficient succession planning and human capital development focus in the CNI group of companies (“Group”).

**Remuneration Function**

- 1.1.6. To recommend to the Board and the remuneration framework for the Non-Executive Directors including the Non-Executive Chairman.
- 1.1.7. To set the policies and procedures on the remuneration framework, including reviewing and making recommendations to the Board on all elements relating to the remuneration, terms of employment, reward structure and fringe benefits for Executive Directors, the Chief Executive Officer (“CEO”) and key critical positions.
- 1.1.8. To set the policies and/or guideline on the remuneration framework including reviewing and making recommendation relating to remuneration, to the Board for employees of the Group.

**2. COMPOSITION AND APPOINTMENT**

- 2.1. The NRC members shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members, all of whom shall be Non-Executive Directors, and a majority of whom shall be Independent Directors.
- 2.2. No alternate Director shall be appointed as a member of the NRC.

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- 2.3. The Chairman of the NRC shall be an Independent Non-Executive Director appointed by the Board.
- 2.4. The NRC members may relinquish their membership in the NRC with prior written notice to the Secretary. In the event of any vacancy arising in the NRC resulting in the number of members of the NRC falling below three (3), the vacancy shall be filled as soon as possible, but not later than three (3) months from any arising vacancy.

**3. AUTHORITY**

- 3.1. The NRC is authorised by the Board and at the expense of the Group to perform the following:
  - 3.1.1. Secure the resources in order to perform its duties as set out in its terms of reference.
  - 3.1.2. Have full and unrestricted access to Group Human Resources, including without limitation, its information, records, properties and personnel.
  - 3.1.3. Obtain independent professional advice service and/or expertise to perform its duties, or obtain the assistance of Management where necessary.
  - 3.1.4. Be directly responsible for compensation and oversight of such professional or legal advisor and shall have the sole authority to approve such advisor's fees and other retention terms in the event that the NRC retains any such independent professional advisor, the committee shall carry out an independent assessment of such advisor.
  - 3.1.5. Provide its recommendations to the Board for its consideration and approval.

**4. FUNCTIONS AND DUTIES**

The main functions and duties of the NRC shall include, but are not limited to the following:

**4.1. Nomination Functions and Duties**

**4.1.1. Assessment of Board Composition**

- a) Establish a policy formalising the Group's approach to Boardroom diversity (including diversity in gender, nationality, age, culture, socio-economic background, skills, experience and independence).
- b) Annually 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 ensure that they are in line with CNI's and the Group's requirements.

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- 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 Chairman of Board Committees.
- d) Periodically review the term of office, and terms of reference of all Board Committees, assisted by the Secretary.

**4.1.2. Appointments**

- a) Consider and recommend to the Board the selection criteria for new appointment as Directors of CNI and its subsidiary companies which may include:
  - Required skills, knowledge, expertise and experience;
  - Time commitment, character, professionalism and integrity;
  - Ability to work cohesively with other members of the Board;
  - Specialist knowledge or technical skills in line with the Group's strategy;
  - Diversity in age, gender and experience/background; and
  - Number of directorships in companies outside the Group.

The NRC shall also consider and recommend to the Board the composition of the Board, which must comprise a majority of Independent Directors.

- 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 candidates for the position of a Senior Independent Non-Executive Director, the NRC shall assess the required knowledge and other qualities necessary for the effective discharge of his / her responsibilities.
- c) Ensure that a formal letter of appointment setting out clearly the expected time commitment, Board Committee involvement, involvement outside Board meetings and protocol for accepting new Directorships is provided to the Non-Executive Directors upon appointment to the Board.
- d) Identify, consider and recommend suitable persons for appointment as Directors of CNI and its Group and members of the Board Committees, relying on sources from existing Board members, Management, major shareholders, independent search firms and other independent sources.
- e) Disclose in the Company's annual report how candidates for Non-Executive Director positions were sourced including whether such candidates were recommended by existing Board members, Management or major shareholders and if the selection of candidates were solely

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based on recommendations made by existing Board members, Management or major shareholders, the NRC should explain why other sources were not used.

f) Appointment of Key Management Positions:

- Review and recommend to the Board the appointment, evaluation, resignation, disciplinary actions and termination of the Chief Executive Officer (CEO) position.
- Review and note, the recommendation of the CEO on the appointment, evaluation, promotion, resignation, disciplinary actions and termination of key senior management of CNI and the Group.
- Ensure that appointments of the CEO and key senior management positions are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

4.1.3. **Retirement and Re-election**

- a) Ensure that every Director, including the Executive Directors, shall be subject to retirement at least once every three (3) years. A retiring Director shall be eligible for re-election.
- b) Recommend to the Board, candidates for re-election of Directors by shareholders. The tenure of an Independent Non-Executive Directors should not exceed a cumulative term limit of nine (9) years. Upon completion of the nine (9) years, an Independent Non-Executive Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, it should justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board should seek annual shareholders' approval through a two-tier voting process. Under the two-tier voting process, shareholders' votes will be cast in the following manner at the same shareholders' meeting:
- Tier 1: Only the Large Shareholder(s)<sup>1</sup> of the Company votes;
  - Tier 2: Shareholders other than Shareholder(s)<sup>1</sup> votes.

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*Note:*

<sup>1</sup> Large shareholder means a person who:

- is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the Company; or
- is the largest shareholder of voting shares in the Company; or
- has the power to appoint or cause to be appointed a majority of the Directors of the Company; or
- has the power to make or cause to be made, decisions in respect of the business or administration of the Company, and to give effect to such decision or cause them to be given effect to.

*The decision for the resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than one Large Shareholder, a simple majority of votes determine the outcome of the Tier 1 vote.*

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**4.1.4. Succession Planning**

- a) The CEO shall assist the NRC in ensuring that an appropriate succession planning framework, talent management and human capital development programme is in place for the position of the CEO and key senior management positions. The NRC shall be appointed of the progress of the programme on a regular basis, and at least once a year.
- b) Oversee succession planning for the Board Chairman, Directors, CEO and key senior management positions.

**4.1.5. 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, and Board Committees' and each individual Directors' performance.
- c) Conduct a Board evaluation, which is periodically facilitated by a professional, experienced and independent party.
- 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.
- e) Review the terms of office and performance of the Audit Committee ("AC") and each of its members annually to determine whether the AC and each of its members annually to determine whether the AC and its members have carried out the duties in accordance with its terms of reference. The NRC shall seek the views of the Chairman of the AC in its assessment of the performance of members of the AC, other than of the Chairman himself / herself.

**4.1.6. Training and Development**

- a) Recommend suitable orientation and training programmes to continuously train and equip new and existing Directors.
- b) Ensure the Board, in the Annual Report of CNI makes a statement, containing a brief description on the type of training attended by Directors during the financial year.

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**4.2. Remuneration Functions and Duties**

- 4.2.1 Review and recommend to the Board a formal and transparent remuneration policy and framework for Directors, Senior Management of CNI, and the Group drawing on external consultants' advice as necessary. In doing so, the NRC 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 Company which rewards contribution to the long term success of the Company.
  - 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.
- 4.2.2 Review and if deemed appropriate, endorse for the Board's approval, the annual bonus and salary increment framework for the Group, as recommended by the CEO, including the total quantum of payment.
- 4.2.3 Review and recommend to the Board the terms and conditions of service, remuneration, compensation and benefits package (including bonus and salary increment) of the CEO position.
- 4.2.4 Review and if deemed appropriate, endorse for the Board's approval, the recommendations of the CEO on the terms and conditions of service, remuneration, compensation and benefits package (including bonus and salary increment) of the key senior management positions.
- 4.2.5 Review and recommend the extension of service, remuneration, compensation and benefits package of the key senior management positions, who have reached the age of retirement.
- 4.2.6 Periodically review the remuneration framework, policies and procedures.

**4.3. Disclosure and Reporting**

- 4.3.1 Ensure that a statement on its activities in the discharge of its nomination duties for the financial year is included in the Company's annual report.

**5. MEETINGS**

**5.1. Frequency**

- 5.1.1. The NRC shall meet every quarter and when necessary at such other time(s) as it deems necessary to fulfil its responsibilities.

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- 5.1.2. Other members of the Board and Management may attend meetings upon the invitation of NRC.

**5.2. Notice and Agenda**

- 5.2.1. The Secretary shall issue and circulate the notice of the NRC meetings confirming the venue, time and date at least five (5) working days before each meeting to the committee members and all those who are required to attend the meeting.
- 5.2.2. The agenda for each meeting including relevant documents and information requested by the NRC shall be circulated at least five (5) working days before each meeting to the NRC members and all those who are required to attend the meeting.
- 5.2.3. The NRC meeting agendas shall be the responsibility of the Chairman with the input from the NRC members, and assisted by the Secretary. Where necessary, the agenda shall include input from the Management or other persons deemed appropriate to participate in this process.

**5.3. Quorum**

The quorum for a meeting of the NRC shall be two (2) members with the majority of members present being Independent Non-Executive Director. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to Chair the meeting.

**5.4. Meeting Mode**

- 5.4.1. A meeting of the NRC shall normally be conducted face-to-face to enable effective discussion; however, meetings may also be conducted via telephone conferencing, video conferencing or other appropriate means as determined by the NRC.
- 5.4.2. The NRC may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a Circular Resolution in writing, in lieu of formally convening a meeting. The Circular Resolution shall be as valid and effectual as if a meeting of the NRC duly convened has passed it. Approval of the NRC obtained by an NRC Circular Resolution must be signed or approved by all NRC members subject to 5.5.2.

**5.5. Voting**

- 5.5.1. All resolutions of the NRC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman shall have a second or casting vote.

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- 5.5.2. A NRC member is required to abstain from deliberations and voting in respect of any matter, which may give rise to an actual or perceived conflict of interest situation.

**5.6. Meeting Minutes**

- 5.6.1. The minutes of the meeting shall be action oriented, and record the deliberations and decisions of the NRC. Minutes shall include compiled Board instructions as Matters Arising for discussion at each NRC meeting to ensure proper follow through.
- 5.6.2. Minutes shall be distributed to NRC members and shall be approved by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting.
- 5.6.3. Copies of minutes of each meeting shall be distributed to all members of the Board.
- 5.6.4. The NRC, through its Chairman, shall update the Board on the activities undertaken by the NRC at each Board meeting.
- 5.6.5. Relevant members of Management shall be provided with the minutes and Matters Arising for follow up on key actions required.

**5.7. Secretary**

- 5.7.1. The Secretary to the NRC shall be the Group Company Secretary.
- 5.7.2. The Secretary shall organise and provide assistance at the NRC meetings and have the following key responsibilities:
- ensure meetings are arranged and held accordingly;
  - assist the Chairman in planning the NRC's activities;
  - draw up meeting agendas in consultation with the NRC Chairman and maintain the minutes and draft its scheduled activities for the financial year;
  - ensure structured communication channels between the Board and the NRC;
  - ensure proceedings of meetings are recorded and the minutes circulated in a timely manner, and reviewed by the NRC before disseminating them to the Board; and
  - ensure papers that explain the rationale for the NRC's recommendations support NRC recommendations presented to the Board.



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**6. ANNUAL PERFORMANCE ASSESSMENT**

- 6.1. The NRC 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 NRC 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.

**7. REVIEW OF THE TERMS OF REFERENCE**

- 7.1. The NRC shall recommend any change to its terms of reference in such manner as the NRC deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Listing Requirements of Bursa Malaysia Securities Berhad or any other regulatory requirement. It shall also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the NRC's role.