HO HUP CONSTRUCTION COMPANY BERHAD

197301000497 (14034-W)

TERMS OF REFERENCE
OF
NOMINATION AND REMUNERATION COMMITTEE

Terms of Reference of Nomination and Remuneration Committee

1. OBJECTIVES

The principal objectives of the Nomination and Remuneration Committee ("**Committee**") is to assist the Board of Directors of Ho Hup Construction Company Berhad ("**the Company**" or "**HHCCB**") on the following :

(a) in nominating new candidates for directorships in the Company and its subsidiaries. The Committee shall also evaluate the effectiveness of the Board of Directors and Committees of the Board and the individual contributions of each Director; and

(b) in assessing the remuneration packages of the Executive Directors and Senior Management.

2. COMPOSITION OF MEMBERS

The Board of Directors shall elect the members of the Committee from amongst themselves, composed of non-executive directors and majority are independent directors. An appointment to the Committee will terminate when the member ceases to be a director, or as and when determined by the Board of Directors.

3. CHAIRMAN

The Chairman of the Committee shall be elected from amongst the Committee members who shall be an Independent non-Executive Director. The Chairman of the Committee shall be approved by the Board of Directors.

The Chairman of the Committee shall be available to answer questions about the work of the Committee at the Annual General Meeting of the Company.

4. SECRETARY

The Secretary of the Committee shall be the Company Secretary of the Company.

5. MEETINGS

The Committee may meet together for the despatch of business, adjourn and otherwise regulate their meetings, at least once a year or more frequently as deemed necessary. The Chairman may call for additional meetings at any time at the Chairman's discretion.

The Committee may consult other Non-Executive Directors in its evaluation of the Managing Director / Chief Executive Officer, the Executive Directors and Senior Management. The Committee may request other Directors and key executives to participate in Committee meetings, as necessary, to carry out the Committee's responsibilities.

The Secretary shall on the requisition of the members of the Committee summon a meeting of the Committee. Except in the case of an emergency, reasonable notice of every Committee meeting shall be given in writing.

The Committee through its Chairman, shall report to the Board of Directors at the next Board of Directors meeting after each Committee meeting. When presenting any recommendation to the Board of Directors, the Committee shall provide such background and supporting information as may be necessary for the Board of Directors to make an informed decision. The Committee shall provide such information to the Board of Directors as necessary to assist the Board of Directors in making a disclosure in the Annual Report in accordance with the Principles of the Malaysian Code on Corporate Governance and Appendix 9C, Part A of the Listing Requirements of Bursa Malaysia Securities Berhad.

6. QUORUM

A quorum shall consist of two (2) members.

7. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are as follows:

7.1 Nomination Matters

- To determine the criteria for directorship, including qualities, experience, skills, education, independency and other factors that will best qualify a candidate to serve on the Board of Directors;

- To recommend to the Board of Directors, candidates for all directorships to be filled by the shareholders or the Board;

- To review annually and recommend to the Board of Directors with regards to the structure, size, balance and composition of the Board of Directors and Committees of the Board, including review of Board succession plans having regard to the fact that the Board of Directors should comprise Directors with the required mix of skills and experience, core competencies which executive and non-executive directors should bring to the Board of Directors and other qualities to function effectively and efficiently;

- To consider, evaluate and propose to the Board of Directors any new Board appointments, whether of executive or non-executive position. In making a recommendation to the Board of Directors on the candidate for directorship, the Committee shall have regard to:

  (i) Gender, size, composition, mix of skills, experience, competencies and other qualities of the existing Board, level of commitment, resources and time that the recommended candidate can contribute to the existing Board of Directors; and

  (ii) Non-executive directors should be persons of caliber, credibility and have the necessary skill and experience to bring an independent judgment to bear on issues considered by the Board of Directors and that independent non-executive directors should make up at least one-third of the memberships of the Board of Directors;

(iii) Candidates for directorships proposed within the bounds of practicability, by any other senior executive or any Director or shareholder.

- To propose to the Board of Directors memberships and Chairmanship of Committees of the Board;

- To evaluate and recommend the appointment, promotion, transfer and dismissal of senior executive positions, including that of the Managing Director or Chief Executive Officer and the Executive Directors and their duties;

- To establish and implement processes for assessing the effectiveness of the Board of Directors as a whole, the Committees of the Board and for assessing the contribution of each Director;

- To evaluate on an annual basis:

  (i) the effectiveness of each Director's ability to contribute to the effectiveness of the Board of Directors and the relevant Committees of the Board and to provide the necessary feedback to Directors in respect of their performance;

  (ii) the effectiveness of the Committees of the Board; and

  (iii) the effectiveness of the Board of Directors, as a whole;

- To provide for adequate training and orientation of new directors with respect to the business, structure and management of the Group as well as the expectations of the Board of Directors with regards to their contributions to the Board; and

- On an annual basis, review the effectiveness of the Board Diversity Policy, its objective and the strategies aimed at achieving the objective, and report to the Board recommending any changes to those strategies or the way they are implemented.

- In accordance with the Board Diversity Policy, on an annual basis, review the proportion of women who are on the Board and submit a report to the Board, which outlines the Committee's findings.

- On an annual basis, review the terms of office and performance of the Audit Committee ("**AC**") and each of its members to determine whether AC and members have carried out their duties in accordance with their terms of reference

- To consider other matters as referred to the Committee by the Board of Directors.

Criteria to Assess Independence

Independent Director means a director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of HHCCB. Without limiting the generality of the foregoing, an independent director is one who –

(a) is not, and has not been within the last 3 years, an officer of HHCCB or any related corporation of HHCCB (each corporation is referred to as "said Corporation"). For this purpose, "officer" has the meaning given in section 2 of the Companies Act 2016 but excludes a director who has served as an independent director in any one or more of the said Corporations for a cumulative period of less than 12 years;

(b) is not a major shareholder of the said Corporation;

(c) is not a family member of any executive director, officer or major shareholder of the said Corporation;

(d) is not acting as a nominee or representative of any executive director or major shareholder of the said Corporation (this paragraph is referred to as "**paragraph (e)**");

(e) has not been engaged as an adviser by the said Corporation under such circumstances as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities"), or is not presently a partner, director (except as an independent director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said Corporation under such circumstances as prescribed by Bursa Securities (this paragraph is referred to as "**paragraph (f)**");

(g) has not engaged in any transaction with the said Corporation under such circumstances as prescribed by Bursa Securities, or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of HHCCB) which has engaged in any transaction with the said Corporation under such circumstances as prescribed by Bursa Securities (this paragraph is referred to as "**paragraph (g)**"); or

(h) has not served as an independent director in any one or more of the said Corporations for a cumulative period of more than 12 years from the date of his first appointment as an independent director.

7.2 <u>Remuneration Matters</u>

- To review and recommend the remuneration structure and policy for Executive Directors and Senior Management, including the terms of employment or contract of employment/service, any benefit, pension or incentive scheme entitlement, any other bonuses, fees and expenses and any other compensationpayable on the termination of service contract by the Company and to review changes to the policy, where applicable;

- To ensure that a strong link is maintained between the level of remuneration and individual performance against agreed targets, the performance relatedelements of remuneration setting forms a significant proportion of the totalremuneration package of Executive Directors and Senior Management;

- To ensure the levels of remuneration is sufficiently attractive to be able to retain directors needed to run the Company successfully;

- To review and recommend the entire individual remuneration packages for eachof the Executive Directors and Senior Management;

- To recommend to the Board of Directors the remuneration framework for the Non-Executive Directors.

- To consider other matters as referred to the Committee by the Board of Directors.

NOTES:

Paragraph (e)
*"**Nominee**" as used in paragraph (e) means a person who has been designated to act for another in his or her place. It denotes a person who is accustomed, or is under an obligation, whether formal or informal to act in accordance with the directions, instructions or wishes of another person.*

A nominee or representative of major shareholders who fulfils all requirements of the definition of "independent director" except for the said paragraph (e), may nevertheless be considered as an "independent director" if -

(a) the major shareholder's aggregate shareholding in the said Corporation, directly or indirectly, is not more than 15% of the total number of issued shares (excluding treasury shares) of the said Corporation;

(b) the major shareholder is not deemed to be a specified shareholder of the said Corporation; and

(c) the major shareholder is either -

(i) a statutory institution who is managing funds belonging to the general public; or
(ii) an entity established as a collective investment scheme, such as closed-end funds, unit trusts or investment funds (but excluding investment holding companies).

Paragraph (f)
*In relation to paragraph (f), a person who is proposed to be or is an independent director ("**said Director**") is disqualified from being an independent director if he –*

(a) had personally provided professional advisory services to the said Corporation within the last 3 years; or

(b) is presently a partner, director (except as an independent director) or major shareholder, of a firm or corporation ("Entity") which has provided professional advisory services to the said Corporation within the last 3 years, and the consideration in aggregate is more than 5% of the gross revenue on a consolidated basis (where applicable) of the said Director or the Entity or RM1 million, whichever is the higher.

For the purposes of the above, the following applies:

(a) where the Entity is a corporation, the computation of the gross revenue of the Entity must be based on its annual audited financial statements for the last 3 financial years; and

(b) where the service is rendered by the said Director personally or by an Entity other than a corporation, the computation of the gross revenue must be based on the income tax returns of the said Director or the Entity, as the case may be, submitted to the Inland Revenue Board for the last 3 years.

Paragraph (g)
In relation to paragraph (g), the said Director is disqualified from being an independent director if he -

(a) had engaged personally in transactions with the said Corporation (other than for board service as an independent director) within the last 3 years; or

(b) is presently a partner, director, a major shareholder, of an Entity (other than subsidiaries of the applicant or listed issuer) which has engaged in transactions with the said Corporation within the last 3 years, and the consideration in aggregate exceeds 5% of the gross revenue on a consolidated basis (where applicable) of the said Director or the Entity or RM1 million, whichever is the higher.

However, "transactions" in the above paragraph excludes transactions -

(a) on normal commercial terms entered into between the said Corporation and the said Director or between the said Corporation and an Entity where the said Director is also a director, major shareholder or partner -

(i) for personal use of the said Director; or
(ii) for personal investment of the said Director but not for the purpose of carrying on a trade or business;

(b) on normal commercial terms entered into between the said Corporation and an Entity where the said Director is also a director (and not a major shareholder) but is not involved in the said transactions;

(c) for the following goods and services, provided that they are sold or rendered based on a non-negotiable fixed price or rate, which is published or publicly quoted and the material terms including the prices or charges are applied consistently to all customers or classes of customers:

(i) provision or usage of public utility services such as water, electricity and telecommunications and data, postal or courier services, services by licensed persons as defined under the Financial Services Act 2013 (other than professional advisory services which are subject to paragraph (f)), insurance, unit trusts, stockbroking services, public transport, education, medical services, provision or usage of tolled highways, hotel facilities and recreational services, provision or consumption of fuel on retail or food and beverage at eateries, provision or purchase of goods at retail outlets such as supermarkets, hypermarkets or departmental stores; and
(ii) such other types of goods or services that may be prescribed by Bursa Securities from time to time.

For the purposes of paragraph above, the following applies:

(a) where the Entity is a corporation, the computation of the gross revenue of the Entity must be based on its annual audited financial statements for the last 3 financial years; and

(b) where the transaction is entered into by the said Director personally or by an Entity other than a corporation, the computation of the gross revenue must be based on the income tax returns of the said Director or the Entity, as the case may be, submitted to the Inland Revenue Board for the last 3 years.