

SERN KOU RESOURCES BERHAD
[Registration No. 200001016496 (519103-X)]

TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE
("NRC" or "the Committee")

1. Objectives

In accordance with Malaysian Code on Corporate Governance, The NRC is set up :-

- 1.1. To recommend candidates to the Board while the final decision on the appointment of any of the Directors shall made by the Board;
- 1.2. To provide recommendation to the Board on remuneration of the Executive Directors of the Company and the Group; and the remuneration of senior management of the Company for the Group Managing Director and Group Chief Financial Officer, in all its forms such that the component parts of remuneration are structured to link rewards to corporate and individual performance;
- 1.3. Executive Directors should play no part in decisions on their own remuneration; and
- 1.4. Remuneration of the Non-Executive Directors should be a matter for the Board as a whole to determine and the individuals concerned should abstain from discussion of and voting on their own remuneration.
- 1.5. The NRC should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the NRC and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

The NRC shall be responsible in ensuring the appropriate Board balance and size, and that the Board has a required mix of skills, experience and other core competencies. Based on the process and procedures laid out by the Board, the NRC shall annually carry out and ensure proper documentation of all assessments and evaluations on the effectiveness of the Board, the Board Committees and the Contribution of each individual Director, and thereafter, to review and recommend an appropriate remuneration package to the Directors (both Executive and Non-Executive), the Group Managing Director, Chief Executives and senior management of the Group, taking into consideration of the financial performance of the Group.

2. Composition and Membership

- 2.1. The NRC shall be appointed from amongst the Board.
- 2.2. The NRC shall consist of not less than two (2) members.
- 2.3. The NRC shall comprise exclusively of Non-Executive Directors, a majority of whom must be independent.
- 2.4. The office of a NRC member shall automatically be vacated when he ceased to be a Director of the Company.
- 2.5. In the event of any vacancy in the Committee resulting in the non-compliance of the above, the Company must fill the vacancy within three (3) months.

2.6. No alternate director shall be appointed as a member of the NRC.

3. Chairman

- 3.1. The Chairman shall be elected by the Committee from amongst their members who is Independent Director as identified by the Board of Directors.
- 3.2. The Chairman's role is to:
 - 3.2.1. Independently lead the succession planning and appointment of directors, and oversee the development of a diverse pipeline for Board and Management succession, including the chairman and the Executive/ Managing Director ("MD") whilst maintaining contact with the principal shareholders; and
 - 3.2.2. Lead governance issues, particularly the annual review of board effectiveness, ensuring that the performance of each individual directors is independently assessed.
- 3.3. If the Chairman is not present at a meeting within fifteen (15) minutes after the time appointed for holding the meeting, the members of the Committee may elect one (1) of their numbers to be the chairman of the meeting.

4. Secretary

- 4.1. The Company Secretary or her nominee shall act as Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.
- 4.2. The Secretary or her nominee shall be in attendance at each Committee meeting and record the proceedings of the meeting thereat and minute the resolutions.
- 4.3. The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the Committee at the Registered Office of the Company.

5. Meetings

- 5.1. The Committee shall meet at least once a year and hold additional meetings as and when necessary depending on the level of responsibility and complexity of the Group.
- 5.2. The Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- 5.3. The quorum for a meeting shall be two (2) members with a majority of the independent directors present at the meeting. The Committee at which a quorum is present is considered to be competent for the exercise of its authorities, powers and discretions vested upon it.

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- 5.4. All decisions at such meeting shall be decided on a show of hands on a majority of votes. In the case of an equality of votes, the Chairman shall be entitled to a casting vote in addition to the vote which he is entitled as a Committee Member.
- 5.5. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Committee based on planned calendar dates. Notice of each meeting confirming the venue, time and date, together with an agenda of items and its supporting papers to be discussed, shall be forwarded to each member of the Committee, no later than seven (7) days before the date of the meeting.
- 5.6. The Committee shall have the right to invite other Directors, Management and consultants as applicable to participate in the Committee meetings, as and when necessary, to carry out its responsibilities.
- 5.7. The Secretary or his/her nominee shall minute the proceedings and resolutions, including the names of all attendees. Draft minutes of meetings of the Committee shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other directors, unless a conflict of interest exists.
- 5.8. The Committee may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.
- 5.9. The Chairman shall report to the Board of Directors on its proceedings after each meeting on matters within its duties and responsibilities. The NRC shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 5.10. Except in the case of an emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to the NRC member either personally or by fax or e-mail, fax, or by post or by courier to his/her registered address as appearing in the Register of Directors or to the address provided by the NRC member, as the case may be.

6. NRC Resolutions In Writing

- 6.1. In the event the NRC require matters to be approved by way of a written resolution, a resolution in writing signed or approved by letter or telefax or other electronic means by majority members of the NRC, shall be as valid and effectual as if it had been passed at a meeting of the NRC duly called and constituted.
- 6.2. Any such resolution may be executed in any number of counterparts, each signed by one or more members of the NRC all of which taken together and when delivered to the Secretary shall constitute one and the same resolution.

7. Duties and Functions

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

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7.1. New Appointments of Directors or Senior Management

- 7.1.1. Consider and recommend to the Board of Directors candidates for board position, proposed by Management, Director, major shareholder or outsourced service providers, taking into consideration the candidates' skills, knowledge, expertise and experience, time commitment, character, competence, professionalism, integrity, age, cultural background and gender. For the position of independent Non-Executive Directors, the Committee should also evaluate the candidates' background and ability to discharge such responsibilities as expected from Independent Non-Executive Directors.
- 7.1.2. Before any appointment by the Board of Directors, evaluate the balance of skills, knowledge, experience and diversity on the Board of Directors, and the current and future needs (including the need to bring new skills and perspective to the Boardroom) and size of the Company in identifying suitable candidates.

Accordingly, the Committee may:-

- Use the services of external advisors (including the need to bring new skills and perspective to the Boardroom) to facilitate the search from diverse pools;
- In identifying candidates for appointment of directors, the Board does not solely rely on recommendations from existing directors, Management or major shareholders. The Board could utilise Independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, Management or major shareholders, the Nomination Committee should explain to the Board why these source(s) suffice and other sources were not used.

- Consider candidates from a wide range of backgrounds;
- Consider candidates on merit and against objective criteria with due regard for diversity including gender, ethnicity and age, and appointees time commitment, skill and experience; and
- Request to consider the disclosure of any business interests that may result in a conflict of interest.

- 7.1.3. Recommend to the Board of Directors, candidates to fill the seats on Board committees, in consultation with the Chairman of those committees. In the event that the Chairman's position (regardless of board/committee) is to be filled, to consult with the Board.

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- 7.1.4. Consider and recommend to the Board of Directors the candidates for MD and Chief Financial Officer (“CFO”), taking into consideration the candidates’ skills, knowledge, expertise and experience, time, commitment, character, professionalism, integrity and diversity on senior Management.

7.2. Re-election, Re-appointment and Resignation/ Termination

- 7.2.1. Recommend to the Board of Directors, candidates for re-election of Directors by shareholders under the annual re-election provisions or retirement, which is contingent on satisfactory evaluation of the directors’ performance and contribution to the Board with due consideration to the extent to which the interplay of the Directors’ expertise, skills, knowledge and experience with those of other Board Members, as well as their roles as Committee Members.

- 7.2.2. The tenure of an Independent Director should not exceed a term limit of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the board as a non-independent director.

Attention should be paid to Independent Directors who are retained beyond nine (9) years as the Board has to provide strong justification in exceptional circumstances and seek shareholders’ approval through two-tier voting process at the annual general meeting in accordance with the Malaysian Code on Corporate Governance.

- 7.2.3. In obtaining the shareholders’ approval, the Committee should conduct an assessment of the Independent Directors(s) and recommend to the Board of Directors whether the Independent Director(s) should remain independent or be re-designated.

- 7.2.4. Deal with the 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.

- 7.2.5. Review 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 of Directors in terms of knowledge, skills and experience required.

7.3. Specific Nominations and Succession Planning

- 7.3.1. Understand the current performance, competencies and potential of those in key positions in senior Management in order to identify and develop plans for those key talents.

- 7.3.2. Recommend to the Board of Directors, the succession plans for Board Chairman, directors and key Management personnel, particularly for both Executive and Non-Executive Directors and the re-appointment of any Non-Executive Director at the conclusion of his or her specified term of office.

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- 7.3.3. Recommend suitable candidates for the role of Senior Independent Director, as applicable.
- 7.3.4. Establish a clear succession plan for Board Chairman, Directors and senior Management, giving full consideration to succession planning 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 of Directors and by the Company in future.
- 7.3.5. In terms of senior Management, the Committee may request from time to time detailed views (either in the form of a report or otherwise) and work together with the MD and/or senior Management of the Company to:-
- identify expected critical position vacancies and determine any future critical positions; and
 - identify gaps in current employees and develop individual development plans, coaching and monitoring programmes.

The Board of Directors should work with the Committee to evaluate potential successors, taking into account the challenges and opportunities facing by the Company, and the skills and expertise, including diversity, needed on the Board of Directors in the future.

7.4. Annual Performance Assessment of Board, Committees and Individual Directors

- 7.4.1. Annually review the required mix of skills, experience, diversity and other qualities, including core competencies and effectiveness of the Board, as a whole, the Board Committees and the tenure and contribution of each individual Directors. All evaluations carried out by the Committee in the discharge of its functions should be properly documents.
- 7.4.2. This process should be coordinated by the Committee, with the assistance of the Secretary, and thus, reporting to the Board of Directors 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.
- 7.4.3. 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.
- 7.4.4. Evaluate and appraise the performance of the Board Chairman.
- 7.4.5. Annually review the independence of the Independent Director and recommend to the Board of Directors whether the Independent Director(s) who has (have) exceeding the cumulative term of nine (9) years should remain independent or be re-designated.

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7.4.6. Annually review the performance of the MD and CFO.

7.4.7. Annually review the term of office of the Audit Committee (“AC”) and each of its members to determine whether the AC has carried out their duties in accordance with their terms of reference.

7.5. Size of Board of Directors and Independent Directors

7.5.1. Assess the desirable balance in Board of Directors membership by reviewing the size, structure and composition of the Board of Directors, taking into consideration the number of directorships, the need to bring new skills and perspective to the boardroom. The Board should consist of at least one (1) female director.

7.5.2. Assess desirable number of Independent Directors.

7.5.3. Consider the representation of interest groups as part of boardroom diversity. Factors to consider may include gender, race, religion, nationality, professional background and culture.

7.5.4. In developing its procedures and making recommendations to the Board of Directors, the Committee will take into account of:-

- The provisions of the Company’s Constitution, the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and other laws and regulations, if any, in respect of the appointment, removal, etc of directors;
- The need for the Board of Directors to operate an open and transparent appointment process. This may include public advertisement or direct approaches being made to individuals who may be suitable or organisations that may be able to advise;
- The overall composition and balance of the Board of Directors, , including the participation of women on the Board and Senior Management; and
- The Board Diversity Policy, ‘Fit and Proper’ Standards/Criteria for Directors and Senior Management Staff and Succession Planning Policy.

7.6. Continuous Education / Development

7.6.1. To identify suitable orientation, educational and training programmes for continuous development of Directors.

7.6.2. To ensure all Directors receive appropriate continuous training programmes in order to keep abreast with developments in the industry and with changes in the relevant statutory and regulatory requirements.

7.6.3. To assess the AC members’ knowledge on financial literacy.

7.7. Remuneration

- 7.7.1. Recommend and advise the Board the remuneration and terms of conditions (and where appropriate, severance payments) of the Executive Directors (including the MD, CFO), ensuring that remuneration is set at a competitive level for similar roles within comparable markets to recruit, attract, retain and motivate high calibre, individuals and so structured as to align their interest with those of the Company and shareholders.
- 7.7.2. Establish a formal and transparent procedure for developing framework or policy on remuneration packages of individual directors, taking into consideration the following:-
- In case of Executive Directors (including the MD and CFO), the component parts of remuneration should be structured so as to link rewards to corporate and individual performance; and
 - In the case of Non-Executive Directors, the level of remuneration should reflect the experience and level of responsibility undertaken by the Non-Executive Director concerned.
- 7.7.3. Monitor structures and levels of remuneration for other senior executives and make recommendations, if appropriate, to ensure consistency with the Company's remuneration objectives.
- 7.7.4. Approve any major changes to employee compensation and benefits arrangements applicable to the Executive Directors and senior Management.
- 7.7.5. Approve incentive plans for the Executive Directors and senior Management, and any amendments to such plan.
- 7.7.6. Carry out other responsibilities, functions or assignments as may be defined by the Board of Directors from time to time.
- 7.7.7. Establish and review the benefits in all its form for the Executive Directors, Non-Executive Directors, MD, CFO and key Management positions under the employment within the Group.
- 7.7.8. Review and approve annual salary increments and bonuses for the Executive Directors, MD, CFO and key Management positions under the employment of the Group.
- 7.7.9. Obtain external advice, where necessary, on benefits for the Executive Directors, Non-Executive Directors and key management positions under the employment of the Group.
- 7.7.10. Review the performance of, and recommend to the Board of Directors for approving the annual total remuneration packages (guaranteed pay, short and long-term incentives and any compensation payable for loss or termination of office or appointment) of individual Executive Directors and senior Management;

7.7.11. Determination of remuneration packages of directors, including Non-Executive Chairman, should be determined by the Board of Directors as a whole and the individuals directors concerned (whether executive or non-executive) should abstain from discussing and from participating in decisions of their own remuneration packages.

8. Shareholders' Meeting

The Chairman of the Committee should attend the Shareholders' Meeting to answer any shareholder's questions on the Committee's activities, in particular on areas pertaining to proposed resolutions for shareholders to consider on the appointment or re-appointment of directors or the retention of an independent director who has served the Company for more than a cumulative term of nine (9) years, as well as to consider on the Directors' fee and Directors' Remuneration (excluding directors' fees) for each financial year.

9. Reporting Responsibilities

The Chairman of the Committee shall report to the Board of Directors on its proceedings after each meeting of the Committee. The Committee 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 Committee 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, and the disclosure of Directors' Remuneration or senior management's remuneration (where applicable).

10. Access to Advice

In furtherance to their duties as the Committee's members of the Company, there should be an agreed procedure for the Members, whether as a full Committee or in their individual capacity, access to resources and information as deemed appropriate for the discharge of its responsibilities to the Company, including obtaining independent professional advice at the Company's expense and period review of its terms of reference against its performance.

11. Rights and Authority

The Committee shall:-

- 11.1. have the resources which are required to perform its duties;
- 11.2. have full and unrestricted access to all information and documents as deemed appropriate for the discharge of its responsibilities to the Company;
- 11.3. have the right to obtain independent professional or other advice at the Company's expense;
- 11.4. entitled to the services of a secretary who must ensure that all appointments are properly made, that all necessary information is obtained from Board of 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 Securities and/or other regulatory authorities.

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- 11.5. have the right to invite any employees of the Group to attend NRC meetings and to brief the NRC Members on matters being deliberated;
- 11.6. meet as and when required on a reasonable notice and have the right to regulate its own procedure on the calling of meeting; and
- 11.7. have the right to provide recommendations to the Board for consideration and approval.

12. Terms of Reference

- 12.1. The Committee should recommend any change to the terms of reference in such manner as the NRC deems appropriate to the Board of Directors for approval.
- 12.2. The terms of reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code of Corporate Governance, Listing Requirements of Bursa Malaysia Securities Berhad or any other regulatory requirement that may have an effect on the Committee's responsibilities.
- 12.3. 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.