

FARM FRESH BERHAD
(Formerly Known as THE HOLSTEIN MILK COMPANY SDN. BHD.)
201001010221 (894851-U)

TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE

Objectives

The principal objective of the Nomination and Remuneration Committee of Farm Fresh Berhad (“**Company**”) (“**NRC**”) is to assist the board of directors of the Company (“**Board**”) in overseeing matters related to the nomination of new directors, reviewing regularly the structure, size and composition (including the skills, knowledge, independence, diversity (including gender diversity) and experience) required of the Board, undertaking assessment of the effectiveness of the Board as a whole, the various board committees and performance contribution of each individual director and determining and recommending to the Board, the general remuneration policy and packages for directors and senior management, reviewing the remuneration structures for executive directors, non-executive directors and the senior management as well as the remuneration framework of employees of the Company and its subsidiaries (collectively, the “**Group**”).

The Board decides on the remuneration package after considering the recommendations of the NRC. The individual directors of the Company will abstain from discussing their own remuneration.

Composition

The NRC shall be appointed by the Board from among its number and shall consist of not less than five (5) members, comprising exclusively of non-executive directors, a majority of whom must be independent. If the number of members falls below five (5), the Board shall, within three (3) months of that event, appoint such number of new members as may be required to fulfil the minimum requirement.

The NRC shall be chaired by an independent director or the senior independent director.

The appointment of a NRC member terminates when the NRC member ceases to be a Director, or as terminated by the Board.

Secretary

The secretary of the NRC (“**Secretary**”) shall be the company secretary of the Company.

Meetings

The NRC 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 of the NRC may call for additional meetings at any time at his discretion.

The notice of NRC meetings and meeting materials shall be circulated at least seven (7) days before each meeting of the NRC to the NRC members. Notice of meetings shall be given in writing and shall be served to each NRC member either personally or by email, fax, post or courier to the address provided by the NRC member.

The chief executive officer of the Company may be invited to attend meetings to discuss the performance of the executive directors of the Company and make proposals as necessary. The executive directors of the Company should play no part in decisions on their own remuneration.

The NRC 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.

Each member of the NRC is entitled to one (1) vote in deciding the matters deliberated in the meeting. The decision that gained the majority votes shall be the decision of the NRC. In the event of equality of votes, the chairperson of the meeting of the NRC shall be entitled to a second or casting vote.

A resolution in writing, signed or approved by majority of the members of the NRC, shall be as effectual as if it has been passed at a meeting of the NRC duly convened and held. All such resolutions shall be forwarded or otherwise delivered to the Secretary and shall be recorded by the Secretary in the Company's minutes book. Any such resolution may consist of several documents in like form, each signed by one or more NRC members. Such resolution may be approved by letter, electronic mail or other electronic communication.

Each member of the NRC shall attend at least one (1) or fifty percent (50%) of the meetings of the NRC held in each financial year, whichever is higher.

A member of the NRC shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to a situation of an actual or perceived conflict of interest for him/her.

Quorum

The quorum for a meeting of the NRC shall be two (2) members, present in person. In the absence of the chairman of the NRC, the members present shall elect a chairperson for the meeting from among the members present.

Duties and Responsibilities

The duties and responsibilities of the NRC are as follows:-

(i) Nomination matters

- To regularly review the structure, size, balance and composition (including the skills, knowledge, independence, diversity (including gender diversity) and experience) required of the Board to ensure that the Board has the appropriate mix of skills, experience and other qualities including core competencies to function effectively and efficiently and is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”), compared to its current position and make recommendations to the Board with regard to any changes.
- To give full consideration to succession planning for directors and other senior executives of the Company (including the future chairman, members of the board committees and the chief executive) in the course of its work, taking into account the challenges and opportunities faced by the Company, and what skills and expertise are therefore needed on the Board in the future.
- To be responsible for identifying and nominating for the approval of the Board, suitable candidates to fill Board vacancies as and when they arise, including proposing the membership and chairmanship of Board Committees;
- Before making an appointment, to evaluate the balance of skills, knowledge, independence, diversity and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the NRC shall:
 - (a) use open advertising or the services of external advisers to facilitate the search;
 - (b) consider candidates from a wide range of backgrounds; and
 - (c) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position.
- To keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- To keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.
- To review annually the time required from non-executive directors of the Company. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.

- To review and recommend to the Board, the terms of employment and key performance indicators (“KPIs”) of executive directors and assess the performance of the executive directors against their respective KPIs.
- To ensure that all directors undergo appropriate induction and continuous training programmes to enhance their performance.

(ii) Remuneration matters

- To determine and recommend to the Board the general remuneration policy for the executive directors, non-executive directors, including non-executive chairman and senior management of the Company with the objective of attracting, retaining and motivating executive management of the quality required.
- To review and recommend to the Board in relation to the remuneration structures of the executive directors, non-executive directors and senior management of the Company, in all forms.
- To review and recommend to the Board the total individual remuneration package for the executive directors and senior management of the Company including, where appropriate, bonuses, incentive payments within the terms of the agreed remuneration policy and based on individual performance, relative to their respective KPIs.
- In respect of the executive directors of the Company, to ensure that the remuneration package commensurate with the skills and responsibility expected of the director concerned and is sufficient to attract and retain directors needed to run the Company successfully.
- In respect of the non-executive directors of the Company, to ensure via the Board as a whole that the remuneration payable reflects the experience, level of expertise, time demanded of the directors to discharge their duties and responsibilities undertaken.
- In respect of the senior management of the Company, to ensure that the remuneration package commensurate with the individual’s performance, skills and experience, level of responsibility as well as the market benchmarks.
- To engage external professional advisors to assist and/or advise the NRC, on remuneration matters, where necessary.
- To review the fees of the directors and any benefits payable to the directors including any compensation for loss of employment of director or former director before presenting to the shareholders of the Company for approval.

- To provide clarification to the shareholders during general meetings of the Company on matters pertaining to remuneration of the directors and senior management as well as the overall remuneration framework of the Company. The directors who are shareholders of the Company should abstain from voting at the general meetings of the Company to approve their fees.
- To oversee the qualitative and quantitative disclosures of remuneration made in the annual report and notice to general meetings.
- To oversee and monitor the administration of the employees' share option scheme ("ESOS") to ensure that it is in compliance with the By-Laws of the ESOS ("By-Laws") as approved by the shareholders of the Company including:
 - (a) to recommend to the Board, as it deems fit, such directors and/or senior management personnel to be appointed or replaced as members of the ESOS Committee;
 - (b) to recommend to the Board, where it deems necessary, any amendment, modification, addition or deletion to the terms of reference of the ESOS Committee, if applicable; and
 - (c) to do all acts and things and in such manner as it, in its discretion, deems fit and enter into any transaction, agreement, deed, document or arrangement and make such rules and regulations, imposed such terms and conditions, which are to be done by the Board pursuant to the By-Laws.
- (iii) Other matters
 - To act in line with the directions of the Board.
 - To consider and examine such other matters as the NRC considers appropriate or as authorised by the Board.

The NRC will also make recommendations to the Board concerning:

Plans for succession for both executive and non-executive directors of the Company and in particular for the key roles of chairman and chief executive;

Suitable candidates for the role of senior independent director of the Company;

Membership of the Audit and Risk Management Committee of the Company, in consultation with the chairman of said committee;

The re-appointment of any non-executive director of the Company at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills, independence, diversity (including gender diversity) and experience required;

The re-election by shareholders of any director of the Company under the 'retirement by rotation' provisions in the Company's constitution having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills, independence, diversity (including gender diversity) and experience required;

Any matters relating to the continuation in office of any director of the Company 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;

The appointment of any director of the Company to executive or other office other than to the positions of chairman and chief executive, the recommendation for which would be considered at a meeting of the full Board;

The assessment of the effectiveness of the Board and the performance and contribution of individual directors;

The making of whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;

The inclusion of a statement in the annual report about its activities in discharge of its duties for the financial year including the process used to make appointments, explanation if external advice or open advertising has not been used, how the requirements set out under Paragraph 2.20A of the MMLR are met and the following information:

- (a) the policy on Board and senior management composition having regard to the mix of knowledge, skills, independence and diversity (including gender diversity) required to meet the needs of the Company;
- (b) the Board nomination and election process of directors of the Company and criteria used by the NRC in the selection process; and
- (c) the assessment undertaken by the NRC in respect of the Board, its committees and individual directors together with the criteria used for such assessment; and

At least once a year, the NRC shall carry out a review of its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Authority

The NRC is authorised to seek any information it requires from any employee of the Company, pertaining to the Group and resources in order to perform its duties.

The NRC is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

The NRC, upon its annual assessment carried out for the financial year will confirm that:

- (a) the size and composition of the Board is optimum with appropriate mix of knowledge, skills, independence, diversity (including gender diversity), attributes and core competencies;
- (b) the Board has been able to discharge its duties professionally and effectively in consideration of the scale and breadth of the operations;
- (c) all the directors of the Company continue to uphold the highest governance standards in their conduct and that of the Board;
- (d) all the members of the Board are well qualified to hold their positions as the directors of the Company in view of their respective academic and professional qualifications, and depth of knowledge, skills and experience and their personal qualities;
- (e) the independent directors of the Company comply with the definition of "independent director" as stated in the MMLR and the tenure of an independent director does not exceed a cumulative term limit of nine years unless shareholders' approval has been obtained through a two-tier voting process, and therefore would be able to function as a check and balance and bring an element of objectivity to the Board; and
- (f) the directors of the Company are able to devote sufficient time and commitment to their roles and responsibilities as the directors of the Company, as they hold either one (1) or only a few directorships (but no more than five (5) at all times) in other public listed companies.

This Terms of Reference was reviewed and approved by the Board on 27 September 2021.