

## COMPENSATION COMMITTEE REPORT

### MEMBERS

Dato' Mohd. Rafik Bin Shah Mohamad  
Independent, Non-Executive Director  
Chairman

Tan Sri Datuk (Dr.) Rafiah Binti Salim  
Independent, Non-Executive Director  
Member

Dato' Frits van Dijk  
Independent, Non-Executive Director  
Member

Alois Hofbauer  
Executive Director  
Member

## **TERMS OF REFERENCE FOR COMPENSATION COMMITTEE**

The Compensation Committee was formed by the Board of Directors (“Board”) and the principal responsibilities of the Compensation Committee are as follows:

1. Ensure that the remuneration package of the Board and the employees of the Group are benchmarked against industry standards in light of the Group’s performance in the industry and to ensure market competitiveness;
2. Determine the Group’s remuneration philosophy and principles to ensure that these are in line with the business strategy, objectives, values and long term interests of the Group and comply with all regulatory requirements;
3. Review the Group’s remuneration practices in relation to the risk environment and ensure that remuneration does not encourage excessive risk-taking and is determined within the Group’s risk management and control framework taking into account the long-term interests of shareholders, fund investors and other stakeholders;
4. Review and approve the Management’s proposal for the salary increase package recommended by the Group Human Resource Department for subsequent approval by the Board;
5. Review the report on the compensation package disclosed in the Annual Report each year in line with applicable statutory and regulatory disclosure requirements;
6. Review the Company’s employees turnover by category; and
7. Obtain the advice of external advisors, including compensation consultants, as it deems appropriate, and shall be directly responsible for the appointment, termination, compensation and oversight of the work of any external advisors retained by the Committee.

## **THE PROCESS OF THE COMMITTEE**

The Committee should be chaired by an Independent Director appointed by the Board amongst its members. The Chairman of the Committee is responsible for the conduct of the Committee's meetings. Regular meetings are fixed in a calendar year and the Chairman has the discretion to call for additional meetings whenever required. The quorum for the Compensation Committee meeting shall be at least three (3) members present at the meeting.

The Company Secretary of the Company acts as the Secretary of the Compensation Committee who shall be in attendance and shall record the proceedings of the meeting. The Compensation Committee may invite any employee of the Company to attend its meetings. It also has access to any form of independent professional advice, information and the advice and services of the Company Secretary, if and when required, in carrying out its functions.

The Committee also reviews and recommends to the Board on an annual basis, the remuneration package for the Group's employees. To ensure the competitiveness of the Group's remuneration package, a benchmarking exercise against a companies within the same industry is carried out.

The Committee reviews once in every three (3) years the remuneration package of the Non-Executive Directors and makes its recommendation to the Board. In reviewing the remuneration package for the Non-Executive Directors, the Committee shall consider the need to remunerate appropriately, given the level of responsibility of its Directors. The Committee also reviews the appropriate incentives to nurture and retain quality Directors, if required, whilst being sensitive to the interests of other stakeholders, including shareholders and employees. If necessary, an external service provider with the necessary expertise is engaged to carry out the Board remuneration review and thereafter the Committee makes a recommendation to the Board.

Non-Executive Directors are paid fixed annual directors' fees as members of the Board and Board Committees. The members of the Board and Board Committees are also paid meeting attendance fees for their attendance at the respective meetings.

For the remuneration package of Executive Directors and the Management Team, the Committee is guided by the compensation framework developed by Nestlé S.A., which is the major shareholder of the Company. The remuneration package contains both fixed and performance-linked elements. These two (2) elements vary depending on the level of responsibility and complexity of the role. The Executive Directors and the Management Team are paid salaries, allowances, bonuses and other benefits given in accordance with the Corporate Expatriation Policy, whenever applicable. The performances of the Executive Directors are reviewed annually by Nestlé S.A. and adjustments to their remuneration are made based on their performance and contributions in the preceding year.

All Compensation Committee meeting minutes, including meeting papers, on matters deliberated by the Compensation Committee in the discharge of its functions are properly documented.

Recommendations by the Compensation Committee are reported at the meeting of the Board by the Chairman of the Compensation Committee for the Board's consideration and approval.